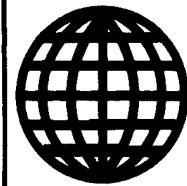


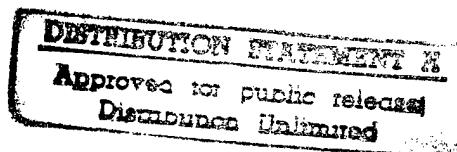
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DPS Officials Interviewed at Press Conference
92BA0473A Sofia PRAVA I SVOBODI in Bulgarian
10 Jan 92 pp 1-2

[Press conference with leaders of the Movement for Rights and Freedoms, DPS, on 4 January 1992, reported by Ayten Dzhafer; place not given: "Two Years After the Creation of Our Movement for Rights and Freedoms"]

DPS—A Look From Inside

[Text] **Stefan Gospodinov, "Courier" Press Club:** Mr. Dogan, if you were to begin again, what would you want to avoid in creating the Movement for Rights and Freedoms (DPS), and what would you want to expand and develop?

Ahmed Dogan: I would like to emphasize only two things. First, I would be even more insistent at the very beginning that the DPS be included in the Union of Democratic Forces (SDS). Now it is acknowledged to be a mistake on the part of some SDS leaders that they did everything possible so that the DPS would not be included in this general structure. Second, perhaps I would be more insistent to explain before the entire Bulgarian Government that the DPS is not built on an ethnic and religious basis.

Stoycheva, Bulgarian League for Human Rights—Headquarters, Vienna: I am interested in your membership, diversity, and number. Who finances the DPS, to which diplomats from the Turkish Embassy do you maintain ties?

Osman Oktay: The membership is between 93,000 and 95,000 persons, of which 8 percent are Bulgarians and approximately 4,000 to 5,000 representatives of other ethnic groups. The finances of the DPS are mainly from members' dues. We have a registered company—4-M, which, unfortunately, was not organized sufficiently well—in order to help our organization with funds.

Ahmed Dogan: I would add only that we did not want them to finance us. I am convinced that the CIA, the KGB, and all of Europe would have financed us.

Unal Lutfi: Some personal donations from our sympathizers also come to the DPS. The Movement supports contacts, including regular ones, with all diplomatic representatives in Sofia, from the ambassador to the cultural attache. The Republic of Turkey does not constitute an exception. This is natural. The accusations of the Vulkanov-Vodenicharov tandem—that, during the past year, we have had 300 meetings with diplomats from the Turkish Embassy—sound very frivolous. This simply cannot be accomplished 365 days of the year. The meetings of the National Assembly are open—any diplomat may attend them—so that accusations that everything is being reported to Ankara on the same day cannot be directed toward the DPS.

Ahmed Dogan: I would invite the gentlemen to attend one of these meetings in order to hear what we discuss.

The fact that the head of the General Staff of the Turkish Army was at a meeting was a great step toward guaranteeing the security of the country. The DPS agreed that this should take place. As Bulgarian citizens, we will continue to work in this direction. We are interested in guaranteeing the security of our country. And we are working very actively in this direction.

Stoyanova, Radio Sofia: Mr. Dogan, two years after the creation of the DPS, how do you feel—as a ruling or opposition force?

Ahmed Dogan: This question often arises in dealing with parliament. If we were actually a ruling party, we would enter the government and participate in the highest echelons of power. However, we have no ambitions for power. We are the only political force that does not lay down conditions under any circumstances. Perhaps we are something like a ruling opposition.

Presidential Elections '92

Representative of "Free Europe": Mr. Dogan, would you make an assessment of the preelection presidential campaign and, especially, the relationship of the great majority of presidential candidate pairs to the DPS. Hypothetically, how would you react if a pair that disputes your legitimacy were elected?

Ahmed Dogan: During the last six or seven days, that was the subject of discussion of our leadership. The majority of the presidential candidates, even if we disregard the fact that they are perhaps a caricature of our more extreme political life, are trying to act out the nationalistic map—and in the crudest way: The DPS is an unconstitutional organization; a Turkish danger threatens Bulgaria.... So, imaginary enemies are fabricated. Hypothetically, how will the DPS react if one of them is elected? I simply do not really assume that the Bulgarian people will give any credence to a person who will put their personal security in question. It would be a pity if one of them advanced to the rank of president and represented the Bulgarian people and the Bulgarian Government in the country and outside it.

Ani Sargavakyan, TELEGRAF: We understood that 11 parties support the candidates of Zhelev and Dimitrova. This appeal was not signed by the DPS. Would you answer why? And when you will come out with an official stand on the matter? A second question: Will you introduce a plan for determining responsibility for those guilty in the revival process [assimilation campaign]?

Ahmed Dogan: We have repeatedly declared that we will support the SDS candidate. In today's declaration, the DPS notes that the personality of Zhelev corresponds to the general desire of the Bulgarian people for democratization. We have proved our loyalty many ways, without making excess noise. In this case, our support is natural and even necessary. If you examine the percentages of the other parties and ours, you yourself will become convinced of what this means.

BULGARIA

Muhamed Bakari, MENA: what are your demands for the future president?

Ahmed Dogan: We support Mr. Zhelev without any conditions.

The Movement Before the Constitutional Court

Vyara Smilkova, NACHALO: Does the matter raised before the Constitutional Court embarrass you?

Emil Buchkov: The question was initially raised before the Constitutional Court by 93 persons, people's representatives from the former Grand National Assembly. They posed one question: Is the DPS a constitutional party? The Constitutional Court did not answer the question; on the other hand, the question was not within its competence. The court passes judgment only when there is a dispute, and, in order for there to be a dispute, there has to be an assertion that this party is unconstitutional. The original suit did not have such a thing. Briefly, we are not the least embarrassed by the fact that this question is submitted to the Constitutional Court because, as the colleagues expressed it, the best employers of this court will be the people's representatives. Personally, I absolutely do not expect any danger.

Angel Andreevski, OTECHESTVEN VESTNIK: Do you have alternatives in case the Constitutional Court decides against the DPS?

Ahmed Dogan: It is absurd for the Constitutional Court to decide the fate of the third political force according to the wishes of a particular group. This would be madness, a provocation against democracy in the country. There is no legal basis for such a decision. However, if this happens, new alternatives will be found. As soon as there is a social demand for an organization, the appropriate, adequate courses of action and alternatives for solving the problems that have arisen around it are found.

The Fear of the Cyprus Syndrome

Vyara Smilkova, NACHALO: Mr. Dogan, what is your relation to the creation of a roundtable on ethnic problems already?

Ahmed Dogan: The roundtable as an idea is a noble intention, but, unfortunately, at the very beginning there was hardly a bench for the DPS. Therefore, the movement discussed the possibility of not being committed to participating in this roundtable.

Muhamed Halaf, SULTUKUVEYT—London: Your organization is accused of the fact that, after a few years, Turkey will make use of the situation that has been created and will repeat the events in Cyprus. How do you answer this accusation?

Yunal Lutfi: The DPS will never be a proponent of pro-Turkish interests in Bulgaria. The DPS is a constructive, Bulgarian political organization that is concerned about the sovereignty and territorial integrity of Bulgaria.

Muhamed Bakari, MENA: On 30 December 1991, a Monte Carlo radio broadcast stated that, if Mr. Zhelev did not win the election, new tension would be created concerning the national question, which would provide the opportunity for the DPS to declare an independent Turkish republic supported by Turkey. How will you comment about this?

Ahmed Dogan: If we are an extremist organization, I think that we will not need to wait for Dr. Zhelev to fail.

Representative of KHRISTIANDEMOKRATSIYA: In the book *Who Is in the '91 Elections?*, you declare for the heirs of the Turkish National Liberation Movement in Bulgaria. The question of national liberation assumes state sovereignty, territorial isolation, and the existence of oppressors. Does Mr. Dogan not consider us to be oppressors, and what does this Turkish National Liberation Movement represent?

Ahmed Dogan: We will publish the program declaration of the Turkish National Liberation Movement. In this case, we consider the liberation Movement to be the liberation from Communism, from an ideology that was a monopoly. This is defined in the texts of the program declaration. Neither the illegal nor the legal movement ever doubted the sovereignty of the government. The question of autonomy was never raised in any way. Something more—the past two years have shown that the DPS will maintain the sovereignty of the government in the future.

DPS and International Relations of Bulgaria

Angel Kotseva of Deutsche Welle: It is known that a bilateral treaty between Bulgaria and Turkey is being prepared. What is your role in these relations, and how would you evaluate Bulgarian-Turkish relations up until now? What more is to be desired in these relations, taking account of the atmosphere in the Balkans?

Nikolay Gotsev, Radio Sky—Greece: In this connection, I want to ask you about your relations with organizations similar to yours, especially with Saduk Ahmed?

Ahmed Dogan: We will do everything possible to move relations between Bulgaria and Turkey to a new level. We have a voice in solving problems dealing with interrelations—and not only between the two countries. Would Bulgaria have received the status of most favored nation in the United States if it did not have our support? You know what the criteria of the U.S. Congress and a number of European institutions are. The first criterion is: To what extent are human rights and the rights of people's associations preserved in the respective country? Naturally, these things did not take place without our agreement.

Relations between Bulgaria and Turkey were almost severed in 1985. This disturbed the entire Balkan region. We will do everything possible so that relations are at the appropriate level again.

Saduk Akhmed was at a meeting in Bulgaria in 1990. We have no relations on an organizational level—rather, on a personal one. I was impressed by its humanism, intellect, and dedication.

Nikolay Angelov, Bulgarian Radio, "Horizon" program: What is the position of the DPS toward the liberation movement of the Kurds in Turkey, and when will this be expressed officially?

Unal Lutfi: The Kurds in Turkey enjoy all of the rights of Turkish citizens. If they are loyal to the Republic, there are no problems for them.

Ahmed Dogan: We never denied the minority rights of the Kurds. It would be ridiculous for the DPS to deny them. The DPS defends all rights and freedoms established in international documents.

Yavashev: Mr. Dogan, you said that the DPS can defend the human rights of the minorities wherever they are found. Do you not consider that the Bulgarian Government is overdue in recognizing the Central Asian and Caucasian republics that are claiming independence?

Unal Lutfi: The DPS supports the foreign policy of the present government. We as a parliamentary group have accepted the report concerning the recognition of the republics in Yugoslavia, which the president of the National Assembly, Mr. Savov, sent to press. We are also in agreement with respect to the question of what our relations will be with the new formation in place of the recent Soviet Union.

Agrarian Reform

Angel Andreevski, OTECHESTVEN VESTNIK: What is your relation to Zhelev's proposal to discontinue the labor cooperative farm law and to bring the land into the machinery of the market economy—that is, to sell it even to foreigners?

Ahmed Dogan: Perhaps potentially this question marks the boundary between the SDS and the DPS. We are obliged to consider the needs of our electorate. You know that it is landless. These are people who, for the most part, are former agricultural laborers. The land law, as it is made, does not guarantee granting land to all citizens. If the land is converted into a commodity, those who have funds will be favored by it. I will not say who they are. We will not allow foreign citizens to buy Bulgarian land for permanent use. The Constitution also forbids it.

The Freedom To Study the Maternal Language

KHRISTIYANDEMOKRATSIYA: Part of our electorate does not know the Bulgarian language. Don't you think that, by insisting on learning the Turkish language, you are dividing the nation?

Serife Mustafa: I am surprised at this question. Can the language really serve as a means of opposition? I want to answer with only one fact. Until 1952, there were

Turkish schools in Bulgaria, and the Turkish language also was studied in the university. At that time, there was no talk of national conflict or of ethnic opposition. The study of the language in the future hardly will be a motive for any ethnic hostility. It is clear to all of us who creates the ethnic conflict and makes use of it.

Denka Decheva, KHRISTIYANDEMOKRATSIYA: Will you insist on studying Romanian, Armenian, and other languages?

Unal Lutfi: The decree of the Council of Ministers refers to all minority languages in Bulgaria.

The Bulgarian Socialist Party, Repressions, Responsibility

Muhamed Halaf, SULTUKUVEYT—London: You say you are an organization that protects the interests of all of the Bulgarian people, and, at the same time, you have introduced a law to prohibit a party that has numerous members. How do you explain that?

Ahmed Dogan: On 4 November 1991, in my speech before the National Assembly, I actually threw out the idea of prohibiting the BSP [Bulgarian Socialist Party]. Since I began to work on this problem, we already have ready a draft law for prohibition. There are several factions in their parliamentary group, who almost insist that we hurry up with this draft law—especially before and after the congress. Why? After its introduction, they again expect to be heroes, who will protect the socially weak strata, their electorate. Actually, according to them, the draft law will play the role of consolidating their entire party. We, of course, consider to introduce it according to the situation. Actually, we pose the question because, in Bulgaria, the communists are maintaining their positions. How can one party atone for nearly 50 years of guilt arising from its actions against the whole Bulgarian people?

Samuel Frances: If the BSP is to be prohibited, would you invite its 500,000 members to enter the DPS?

Ahmed Dogan: The citizens whose rights we defend certainly are not obliged to be members of the DPS. The fact is precisely that, in regions where there are no ethnic minorities, there is an initiative to establish local DPS organizations.

Ani Sargavakyan, TELEGRAF: Will you introduce a plan to determine the responsibility of the guilty parties in the revival process?

Emil Buchkov: We have a criminal law. For better or for worse, it has been created. It provides for responsibility and punishment for all criminal acts, not only for the revival process. The laws that currently exist, however imperfect they may be, make it possible to determine the responsibility of the guilty parties, not only for this process, which is especially striking, especially cruel, but also for all other acts of this party that held power.

Vasko Gigov, BTA: How many of those guilty of the revival process have you recorded in your lists? What role did the officers of the border troops play in this process, and how, according to you, does the decommunization process have to proceed?

Ahmed Dogan: We are interested not only in T. Zhivkov and P. Kubadinski. There are local bullies who do everything possible to outdo themselves. They trampled and repressed in order to prove themselves to be great Bulgarians. This list is fairly long and deals basically with the officers staff of the police. We do not have specific facts about the border troops.

Decommunization is a long and complicated process. Unfortunately, Bulgaria turns out to be the only country in which the communists have maintained solid positions up to now. I, as a Bulgarian citizen, am ashamed of this. The DPS will do everything possible to accelerate the democratic process by peaceful means, within the framework of the law.

Minister Ludzhev Presents New Defense Concept
*AU1703093692 Sofia BULGARSKA ARMIYA
 in Bulgarian 10 Mar 92 pp 1, 3*

[Report by Lieutenant Colonel Ivan Sotirov: "Bulgaria Is Not Threatened by War"]

[Text] The national security concept and the basic postulates of the military reform have already been incorporated in a document that will be adopted shortly. This was announced by Dimitur Ludzhev, minister of defense, at a news conference in the ceremonial hall at the Ministry of Defense on 9 March. According to him, the reason for the news conference was not the first 100 days of his tenure, although that would be a good reason. The reason was more substantial—namely, the new principles in the activity of the Defense Ministry: transparency, openness, and broader relations with the public than ever before.

The first part of the concept is its philosophical basis. In the next three or four years, Bulgaria will not really be threatened by a global, regional, or bilateral war. This is the basic conclusion made after a detailed analysis of the military-political situation. Naturally, there is a certain risk, but its scope is determined by the development of the situation in the Balkans. Nevertheless, regardless of what threat might develop, it will not emerge suddenly. The existing international institutions are the basic pillars of security. These are NATO, the Western European Union, the EC, the CSCE, and the Council of Europe. In the context of this philosophy, Turkey and Greece are neither real nor potential threats for Bulgaria. Our cooperation with those countries will increase. There is a certain destabilizing factor only along our Western border. However, we have already proposed to the Serbian defense minister that we begin talks. This is the best way to establish a stable situation and understanding in the Balkans.

This analysis of the situation shows that Bulgaria must have a small well-armed and mobile army, capable of blocking any threat, if one emerges. This army will be deployed primarily in the central part of the country, which will be divided into four corps zones. Nothing more than a forward deployment will be undertaken, and this will fully correspond to our defense doctrine. The strength of the troops will be 90,000, and the length of service 12 months. We will make most rational use of the weapons and combat equipment because the present economic situation of the country renders any rearming or modernizing of the Bulgarian Army in the next five or six years impossible. The Construction and Transportation Troops will be demilitarized. The Border Guard will become part of the Army, and a border police will be created. The Civil Defense organization will be restructured. It will receive new functions and will be used more for humanitarian purposes.

Minister Ludzhev pointed out that many Army officers took part in preparing and discussing the military reform.

Many remarks were made, different opinions were noted, and the experts had their say. This also is a part of the ministry's new approach—the issues that affect Bulgaria's security are broadly discussed by the most competent persons.

The third part of the proposed concept incorporates the economic foundation of the proposed reforms. Minister Kostov stressed that great work has been done in this area in an attempt to find the best roads, and, simultaneously, to avoid burdening the country's economy too much. For example, this year we intend to cope with the budget we have been allocated—5.7 billion leva. During the next years, we will probably attempt to effect changes with even fewer expenditures.

We are ready with the draft of the Armed Forces Bill and the military service regulations, which resolve exceptionally important issues. I expect that these documents will be placed on the National Assembly's agenda by the end of the month.

My visits in military units and the meetings I had convinced me that the officers and the personnel approve of the reform that is now being effected in the Army. What does it mean? It means that they not only recognize the need for the reform and express their support but also work, in practice, to bring it about, Minister Ludzhev said. The success of decommunization can only be judged by the practical work of each individual soldier. Naturally, decommunization began with the departyization and the elimination of institutions such as military counterintelligence and the Administration on Educational Work in the Army. However, this is a process that can only succeed if it acquires its own internal momentum. Only officers who have changed their way of thinking can work with total devotion for the implementation of the democratic reform in the Army, Minister Ludzhev said.

Air Force Official Discusses Reforms

92BA0429A Sofia BULGARSKA ARMIYA in Bulgarian
23 Jan 92 pp 1, 3

[Interview with Eng. Colonel Malcho Malchev, Air Force deputy commander and military pilot first class, by Major Valeri Mladenov, a representative of the editors: "Things Are Unsettled in Military Aviation; Blessings From Above Awaited"]

[Text] [Mladenov] Colonel, sir, reform in the Armed Forces is gaining speed. Your attitude toward this process?

[Malchev] Until yesterday, there were, in practice, three "commands": Information was given via the commanders, via the political organizers, and via military counterintelligence. The reform is favorable in the sense that conditions have now been created for promoting people with proven abilities rather than for party affiliations. But, to succeed, the protege system must absolutely be abolished and the initiative of young people supported. This process is complicated because some of the older chiefs are not convinced of their own professionalism, or else they absolutize it.

As for the Air Force, in my opinion, an insufficiently scientific and organized approach has been taken toward reform. A rallying point was lacking; Neither the final goal nor the points of departure were clarified (for example, what resources we will have at our disposal, what materiel and equipment we are to expect, what strength we are to maintain). Moreover, we were not utilizing the full capabilities of the materiel and equipment we had for research on various alternatives, and no more so those of the scientific workers. Not to mention that work was being done against an acute shortage of time. True, we are familiar with the structures of other armies, but we do not know how they function, and, therefore, we cannot assess precisely what will be acceptable for us.

[Mladenov] Would you share your opinion regarding the structure of the principal echelons in military aviation?

[Malchev] For execution of the flight plan, the air regimental commander alone bears responsibility and not the units backing him up. Their dependence on the aviation unit is to the extent that they are rated for providing the flight relief. Instances are not rare where, in order to execute the plan, the air regimental commander is compelled to beg the battalion commanders for spare parts just to get more takeoff equipment. In practice, the air commander does not have effective leverage for operation because the supporting units are subordinated to someone else. That is why, without claiming infallibility, on the basis of my own long years of experience, I believe that, no matter how we designate the structure of a combat airfield (air base, wing, brigade), it must function in accordance with a unified concept of the commander in order to accomplish the

main mission. This, in turn, will result in unification of three staffs with similar services into one with a smaller numerical strength.

[Mladenov] Do the present Air Force structures impede the receiving of missions and the flow of information?

[Malchev] There is a certain sluggishness. The principle is as follows: Air Defense and Air Force staff—division and above—air regiment. I think that the intermediate link in the chain of command is superfluous. Missions can simply be assigned directly to the commanders of aviation units. Such intermediate links would be necessary if there were 30 to 40 aviation regiments in the country, but that is not the case in our country. Actually, the result is that the staffs at the division level and above duplicate the activity of the Air Defense and Air Force staff. That is why it seems to me that consideration should be given to the establishment of a unified command of the staffs of subordinate Air Defense and Air Force units at the division level and above, which command will enjoy the capabilities and resources of the senior staff. In this way, it will be possible to reduce the numerical strength of administrative personnel as well as save significant sums from the maintenance of redundant services.

[Mladenov] The new military doctrine has a clearly marked defensive character. How do you see the role of the Air Force under these conditions?

[Malchev] According to the military doctrine, we shall not undertake operations in enemy territory—that is, we shall not take the offensive. Consequently, the situation where, in wartime, the Air Force would be subordinated to Ground Forces should cease to exist. Such a shift of subordination would be illogical, as well, because of the fact that it would violate the principle of one conducting training who knows the strong and the weak aspects of aviation, while another who is not a specialist controls it. In all events, its full capabilities would not be used. That is why I think that it will be advisable for the Air Force to remain under the undivided direction of the Air Defense and Air Force Command and to execute the missions of the General Staff in the territory of the country on the principle of cooperation with the other arms of the service.

[Mladenov] A few words about the control of the air defense means?

[Malchev] As its foundation, we should use the scheme that exists at present, on the basis of which there should be established several sectorial operational centers with organic personnel. This role could be filled by the command posts of units at the division level and above, to which aircraft, antiaircraft missile systems, communications, and radar facilities present in their region should be operationally subordinated. Actually, they would be control agencies to which the administrative and combat units would not be subordinated.

[Mladenov] Briefly, your opinion about the future model of the Air Force?

[Malchev] The overall responsibility for the country's air defense must be borne by the Air Defense and Air Force commander. Direct control of aviation (air bases, anti-aircraft missile systems, radio engineering units) must be exercised by the aviation command—it will organize and direct the classroom and combat training of these units. Other questions—supply of materiel and equipment, repair of equipment, and so forth—should be dealt with by the appropriate Air Defense and Air Force sections.

Rakovski Legion's Ties to Ministry Criticized

92BA0440A Sofia DUMA in Bulgarian 17 Jan 92 p 4

[Article by Vasil Popov: "Actions of Rakovski Legion Thus Far Belie Its Advertised Principal Goal"]

[Text] According to the constituent documents of the Bulgarian Officers Rakovski Legion, its principal goal is the solidarity of the Bulgarian officers corps. By its actions and behavior thus far, however, the legion and, more particularly, its leadership have shown that disunification and the pitting of officer group against officer group are comparatively easily done behind the window-dressing slogans of an opposite character. Moreover, a majority of the officers from the Bulgarian Army and from the Ministry of Internal Affairs doubt whether the advertised noble motives are the true goals of the legion or, to be more precise, of its leaders and, to be even more precise, of its inspirers.

"I believe in the honesty and sincerity of the legionnaires," said a lieutenant of aviation recently. He called the legion president, Captain Doychin Boyadzhiev, "a decent lad" but assumed that he is only the felicitous facade for behind-the-scenes political manipulators. "The legion is a tool for pitting young against old, junior against senior, 'us' against 'them,'" many officers say.

How can the officer corps unite and consolidate when a small but ambitious and pretentious officers organization sets itself up as opposition? This, in and of itself, is already disunification. A number of events and actions bespeak politicization, concealed behind manifold repetition of the word "professionalism" and the necessity of a break with the "military nomenklatura."

"We always have been and will be opposition to the ministry," declared one of the legion leaders, Lieutenant Colonel Mitko Shopov, to the board of the Ministry of Defense. But under Army conditions, the only opposition there can be is that of subordinate against superior, and that already is a confrontation contrary to regulations. It is interesting to know that, when the founding of the legion was discussed, all members of the board declared themselves against it. Gen. Mutafchiev's "aye" outweighed them. "This did not save his ministerial portfolio for him," a senior officer says, with no trace of malicious joy.

And for its authority to grow, they hastily declared that 11,000 to 12,000 officers—that is, half of the officer corps—would be members. However, the legion club in the Khaskovo division, for example, numbers only 40 members. In a garrison in Northern Bulgaria with over 3,000 officers, there are barely seven. Nor is the situation much different in the other units, especially in the combat units. Besides this, an exodus from above from the clubs is also observable.

"We must take a look not only at the quantitative but also at the qualitative makeup of the legion," suggests an experienced cadreman regarding those for whom there is no longer room in Ludzhev's department. "Many are former political officers, paid party secretaries, and Komsomol activists who cannot find a place for themselves in the line. Others are from elements and services where it is possible that even without them—if they all should suddenly be dismissed—the Army would not notice that they were not there, says the officer. "What they have in common that unites them is the struggle for survival," he believes.

In his opinion, not a single regimental or unit commander, officer of the line or from a combat unit, is a legion member. But it is precisely there that one finds the most serious problems, to the solution of which such an organization should be contributing, as it says in its documents.

"President Zhelev was openly delighted with the birth of the legion and carefully nurtured and protected it," quite a few officers say. This is confirmed by a number of facts, not just by his participation in legionnaire activities. Could a group of officers have held any gathering, meeting, or conference on an Army-wide scale without the knowledge and authorization of the ministry, if it did not have behind it the highest protection, at the least of the supreme commander in chief?

According to all existing documents, it could not have. This is even noted in the general principles of the legion's activity. But they assembled and invited Zhelev, and he spoke encouragingly to them.

One of the initial schemes envisaged that an agreement should be concluded between the legion and the ministry. True, such a document was not signed. "That was all that remained to be done," said a retired general. But it is worth having a look at its ambitiousness and pretentiousness that, for the public as well as the bulk of the Bulgarian officer corps, remained concealed.

First and foremost, the unimplemented scheme placed the ministry and the legion on a par. The ministry and the legion, according to the document, should together decide the structure of the Army, military legislation, and the professional development of cadres. With regard to a number of aspects of the Armed Forces' organization, the scheme required the Ministry of Defense "to inform the legion in advance," "to decide all questions jointly with an expert commission," "to make available

information on problems"—the legion, in general, to participate in administrative decisions at all levels.

All texts of this scheme required the ministry to make decisions jointly with the legion or, vice versa, the legion jointly with the ministry. Or to conduct consultations. But the peak came in the third section, which placed the legion above the control of the ministry—that is, it regularized a veritable renaissance of the commissar corps in the Army. In other words, 5-10 percent of the Bulgarian officer corps would decide the fate of the other 90 percent.

"And this is advertised as democratization of Army life," says an officer with long service, who perhaps by now has been dismissed from the service. "For quite a long time," he says, "party authorities and Communist Party underlings participated in matters they did not understand and for which they were not responsible."

"Perhaps it would be a good idea to recall another thing. In December 1989, a naval officer, a captain 1st rank, tried to establish a legion and was dismissed at once. In April 1990, he published an article about the need for such an organization. But he could do no more. All at once, in the summer, the legion came into being....

Yet, instead of its significance increasing for the officer corps and the Army as a whole, its "work" began to "grow." At the end of 1991, after the second national conference, four paid (table-of-organization) positions for the administration of the Bulgarian Officers Corps Rakovski Legion were requested.

One hears now that Minister Ludzhev is of two minds about the necessity for such an organization. What, actually, is it for? If it was needed to counteract the military bureaucracy, the new leadership has dispelled that with just one ministerial order. Political goals must not be implemented, nor are there any such intentions, while, in the entire department—leadership and line—one single person has the right of partisanship: Dimitur Ludzhev. The legion is not a trade union; it is asserted that the Army has no need of trade union protection. Social functions, maybe, but, under its new structure, the ministry has its own appropriate directorate, with a chief.

The commissar system lingers on.

Impact of Foreign Credits on Structural Reform

92BA0410A Sofia 168 CHASA in Bulgarian 7 Jan 92
p 9

[Article by Petkan Iliev: "We Ate Up the Credits From Abroad Again"—first paragraph is 168 CHASA introduction]

[Text] The loan from the World Bank for basic restructuring was used for importing goods. If this tendency continues, basic restructuring will begin in 1995 at the earliest.

Bulgaria, like the other East European countries, needs significant international aid in order to be able to overcome the crisis of the system. According to a report by the Agency for Economic Programming and Development, "The estimate for the financial deficit for 1991 was \$3.6 billion, which, according to the procedure that was worked out subsequently, will be covered by: deferral of \$2.4 billion for debts to foreign creditors on the basis of the agreement reached (Club of Paris Trade Bank, International Investment Bank), \$400 million of resources from the fund, \$160 million from the World Bank, and \$630 million from the Group of 24."

And, yet, doesn't foreign financing have its limits?

Until the 1970's, economists were basically of the opinion that foreign aid was one of the most important instruments for economic development of the small countries of the Third World. Almost all Western growth models started from the concept of "catch-up development" and were based on the hypothesis that the rates of growth of the GDP in these countries could be accelerated by expanding the flow of capital, inasmuch as foreign financing makes up for the lack of savings and hard currency and automatically stimulates internal savings and investments.

However, in the 1970's, under the influence of the disenchanted results of the foreign "aid for development" granted for almost two decades, there appeared a number of analyses that fundamentally criticized the existing system for foreign financing. The criticisms mostly concern the traditional assumption that every dollar of foreign resources goes to increase investments or imports in the same proportion. In practice, the greater part of the "foreign aid" did not go for capital investment but for increasing the "consumption" fund and other purposes, unconnected with the accumulation of capital, which in the final analysis leads to an increase in the subsequent need for foreign capital. The estimates made by the experts show that approximately one-third of official "aid for development" is used to cover the budget and payment deficits, to import industrial goods, to refinance foreign debts, and so forth.

What is the situation in our country? Will foreign financial aid solve many of the problems that have accumulated or are accumulating in the Bulgarian economy, or is the estimate for foreign financing made in the 1970's and 1980's valid at least for the time being?

The "successful" start of economic reform in our country was connected with foreign financial support. However, because of our unenviable position as an insolvent debtor, Bulgaria was and is able to rely mostly on the official aid of the international financial institutions.

This is what the report of the Agency of Economic Prediction and Development states: "The standby agreement concluded on 15 March 1991 gave Bulgaria the right to use part of the resources of the IMF, with a total value of 279 million SDR [special drawing rights]

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(approximately \$400 million), over a period of 13 months, in several installments. These funds are intended chiefly for normalization of the balance of payments of the country and for forming hard currency reserves in the Bulgarian National Bank. On the other hand, in line with the so-called extraordinary and compensation financing, Bulgaria obtains the right to use 93.2 million SDR (\$131 million) to cover the high costs of energy resources, within a 12-month period.

The first standby agreement funds were obtained on 20 March 1991 in support of the initial start of the government program for meeting some foreign payments because of irregularity in the movement of the financial import and export flows during the first quarter, as well as for a certain intervention of the money market."

The interesting thing is that the funds from the extraordinary and compensation financing were to be received in two parts. The first, amounting to 60.6 million SDR (approximately \$86 million), was received on 28 February of last year and was needed to compensate 65 percent of the high prices of oil and gas. However, the second part was to be received in August, only on the condition that the aggravated conditions of the oil market were maintained and that the needs of the country remained unsatisfied because of that. However, the experts from the International Monetary Fund thought that there was no basis for paying the second part of the funds because our needs are still covered by the first installment.

On 27 August 1991, an agreement was concluded between the government and the World Bank to grant a so-called loan for structural reform in the amount of \$250 million. For this purpose, the government signed a "letter for the policy of development," in which the basic purposes of the structural policy of the country were reflected. The funds from this loan are not granted in cash but are for the import of freely chosen goods (but excluding those from the so-called negative list—narcotics, weapons, and so forth) from foreign suppliers, determined by international trade. Even this loan, just as the preceding one, is for importing goods and not for changes in the structure of the economy—that is, for the import of investment plans and technologies. According to a decision of the government team, the entire sum of the first installment of the loan for structural reform was intended for the import of petroleum products to stabilize the energy balance of the country.

In analyzing the aid obtained up to now, for the priority branch of the Bulgarian economy—agriculture—one may see that, even there, the basic emphasis falls on direct deliveries of chemical compounds, seeds, and fodder for emergency satisfaction of the demand for materials purchased with hard currency:

By 1 September 1991, on the basis of bidding for determining companies in the country, the following were delivered in accordance with the PHARE [Economic Reconstruction Aid for Poland and Hungary]

1990 program: hybrid maize seeds—2,800 tons for 4,126,850 ECU [European Currency Unit]; potato seeds—200 tons for 100,500 ECU; barley—30,000 tons for 2,617,500 ECU; plant-protection preparations—5,147,400 ECU; veterinary preparations—1,608,650 ECU.

With the collaboration of the FAO [UN Food and Agriculture Organization], in March-April there was an aid delivery in the form of hog fodder for private farms, with a value of \$2.4 million guaranteed by the Government of the Netherlands, and so forth.

All of this shows that foreign aid up to now is directed not so much toward structural changes in our economy as it is for increasing the fund for consumption.

In this connection, it is good to consider as foresighted an investigation by the English economist P. Mosley, based on data from 83 Third World countries during the period 1969-76, which concluded that, in these countries, there is a negative connection between the flow of official "aid for development" from the industrially developed countries and the level of the internal accumulation of capital. The calculations show that, in many of these countries, one-quarter of the drop in the standard of accumulation is due to the increased flow of foreign resources from "the aid for development" basically spent for consumer expenses and not as investment aid.

Dekart Computer Firm's Ties to Singapore

92BA0443A Sofia DELOVI SVYAT in Bulgarian
10 Jan 92 p 4

[Interview with Boris Bekyarov, director of the Dekart computer firm, by Ivan G. Ivanov; place and date not given: "Dekart Finds Proof: Collaboration Means Continuous Work"]

[Text] This house, near the Institute for Physician Specialization and Advanced Study (ISUL) in the capital, is an illustrative example of a typical beginning of private business in our country. It is one of those semirustic houses that prove how close we still are to the primitive provincial model of affluence that prevailed in Bulgaria for ages: a two-storey simple parallelepiped, with a small side yard and a backyard, where vegetables and dry flower stalks sleep under the deep snow. On the second storey, rented out, with an unsightly and pretentious distribution of the rooms now cluttered with computers and different-size tables on the bare parquet floor, a few experts in electronics and information theory started the Dekart Company two years ago with 1,500 levs per person. This evening it is a holiday. At the company, they are working as if it is a weekday. And you do not need any other explanation because, after this beginning, they now deal in millions, have dozens of branches in the country, and collaborate with world-famous companies in the area of electronics.

[Ivanov] You just returned from Singapore. What did you "bring back"? How is your collaboration turning out after the past half-year?

[Bekyarov] Our collaboration has been going on for a year and five or six months, but we created the company together with Singapore partners only eight months ago, on 29 April 1991. Things are turning out very well. Already we are seeing the implementation of part what we envisioned as an idea from the very beginning. The first and most important thing is that we have regular deliveries of electronics at fairly good prices—perhaps some of the best in the country. Our suppliers are strong; they already have world rank in this market. This already allows us to move to the assembly of computers in Bulgaria, carried out by a private company.

[Ivanov] Where is this being done?

[Bekyarov] Here, in Sofia, we have a small shop where we assemble computers. Now we have rented a building where, on one of the floors, in addition to other products, we will assemble computers, using a testing room, and, in general, producing a more reliable product. Up to now, conditions were very modest.... Improvised, I would say. However, in the future we will be able to assemble every computer in this room within 24 hours. This is a step toward higher quality. Irrespective of the fact that every board is tested preliminarily, it is also necessary to subject the computer as a whole to testing. The productivity also will rise in this way.

[Ivanov] Are you staying oriented toward only computers?

[Bekyarov] We will also move toward the assembly of other equipment. Generally speaking, we want the larger part of the equipment we import to be "put together" here. This is one direction—from Singapore to Bulgaria.

[Ivanov] And what is the other direction? The reverse?

[Bekyarov] At the moment, we have an agency—that is, a company—that represents our interests in Singapore: of D&A, of Dekart, and of AKT. Our representative has fairly stable positions already both in local deliveries and in trade to Singapore itself. It has an agency office in the most famous electronics store in that country, where the largest consumers of office equipment and home electronics and computers "walk past." There sits our agent, who contracts for the dissemination of our software products. Two of our program products, one game and one graphic editor for publishing systems, are being well received.

[Ivanov] Is that your latest achievement in software?

[Bekyarov] Three or three and a half months ago, we finished a product that is very interesting for the clients. We have introduced, almost uniquely for our conditions, a cutting graph plotter—for cutting inscriptions and making display windows, display stands, offices, and so forth. We bought it at a fair risk—without software. The software for it was more expensive than the device itself.

We were able to count on only our own abilities. We developed a program product that serves it. After that, on the basis of this product, we created an original modification of the device itself, which makes it more usable. Already anyone who works with graph plotters can use it—that is, whoever needs computer technology connected with cutting contours. This work of ours is turning out very well. At the moment, the interest in our country is even greater than our capabilities. Moreover, the company of the suppliers from Singapore is showing very lively interest. Now we are in the process of negotiations—we want to receive the right to distribute this product.

Also, we have established interesting contacts with companies from other South Asian countries—Hong Kong, for example. At the moment, goods from that region arrive for us almost every day. I think that at Christmas and on New Year's Day the customers in our stores saw the interesting goods we are offering—for example, children's computer games (the range is very wide), "singing" postcards, self-charging lamps....

[Ivanov] I see that you are also thinking about the energy crisis?

[Bekyarov] Yes, many are suitable for current conditions. In addition, we have imported miniature hair dryers; they can be put into traveling bags—a hair dryer combined with a flatiron.... All kinds of gadgets like this.

[Ivanov] Still, haven't you been a little bit unfaithful to computers?

[Bekyarov] No, actually, just while I was there, on the 20th to the 25th day—after we made our deliveries and imported a fair amount of computer equipment, part of which will remain in the warehouses. Shipments are arriving every week.

[Ivanov] Let's move to more global problems. The producers from Singapore, as I know, had the intention to use us as a kind of springboard to the former USSR. Is the disintegration of the government and the profound crisis there having an effect on them?

[Bekyarov] They have many problems with the Soviet market. The basic observation from the time that I was there is that their export to the former Soviet Union has dropped approximately 80 percent in only four or five months. However, they still do not forget that it is the largest market in Eurasia....

[Ivanov] They simply are waiting?

[Bekyarov] They are not waiting, but working actively! I will tell something that is not so widely known by our press: A large show of computers from Singapore is being prepared here in Bulgaria. It is already clear to them that the Bulgarian market is open, that here there are (relatively, of course) reliable partners for good trading and investment. This will be a strong step, a fairly serious

one, toward new positions in our market. And also a step toward the market in the recent Soviet republics, I assume.

Director Manolov on Burgas Commodity Exchange

92BA0442A Sofia BULGARSKI BIZNES in Bulgarian 6 Jan 92 p 4

[Interview with Nikolay Manolov, director of the Burgas Commodity Exchange, by Rumyana Emanuilidu; place and date not given: "The Burgas Commodity Exchange Will Be Oriented Toward Foods, Metals, and Fuels"]

[Text] The Burgas Commodity Exchange, the Varna Commodity Exchange, and the Sofia Commodity and Currency Exchange were the first exchanges established in Bulgaria at the beginning of the century.

After an interruption of many years, the Burgas Commodity Exchange again has the right to exist. The current director, 35-year-old Nikolay Manolov, shares with us what kind of exchange it will be.

[Emanuilidu] Mr. Manolov, already many economic phenomena in our country are outpacing the laws. So it is with the banks and with the free trade zones, and so it is with the exchanges. The last law concerning commodity exchanges in Bulgaria dates from 1928. Is it suitable for the new conditions today?

[Manolov] The law of 1928 actually is the last law that deals with the commodity and auction business in Bulgaria. It could not be mechanically converted into a new law. Now the exchanges are centers of business activity, equipped with the latest word in equipment, and communication between them is accomplished in a fraction of a second. New concepts have appeared, and many of the concepts existing in the law of 1928 are devoid of content. The structure of the exchange itself has changed. Therefore, in my opinion, it could be a good basis for the future exchange law, a law that must be in keeping with the times.

[Emanuilidu] The following inscription was on the first international exchange in Antwerp in 1531: "For business people of all nations and languages." For whom will the Burgas Commodity Exchange operate?

[Manolov] We consider that, for the time being, the inscription "For Bulgarians" must be on the Burgas Commodity Exchange. The exchange in Bulgaria hardly will have to begin at the international level. In my opinion, it is more important for the exchange to be accepted as a fact, as a mandatory element of the market economy that is profitable for everyone—buyers, sellers, and consumers. And, therefore, in my opinion, maybe the most important thing is that the exchange in Burgas be established as a business center of economic and trade activity in the southeastern region of our country.

[Emanuilidu] If I am not wrong, the concept "exchange" is translated as "a safe place for investing capital." In order not to have problems with price risk, term trading is usually found to be a better system.

[Manolov] The concept of "term deal" or "futures contracts" is a characteristic form of business for any exchange. Of course, this is a step that will follow the development of the Burgas Commodity Exchange. Term deals require an exceptionally well-founded procedure, well-established internal economic communications, and the attainment of that level of business in which the word "partner" means a signed contract. At this stage, I would not say that futures deals are possible in our exchange. Also, to complete term deals, it is necessary to have a clearing house, which actually is a banking institution, and, as yet, this is not within the capabilities of our banks.

[Emanuilidu] Who are the founders of the Burgas Exchange, and which members do you expect to attract?

[Manolov] The founders of the Regional Burgas Commodity Exchange are both state and private companies—the Chamber of Commerce and Industry, the Commerce Bank, and the Regional Cooperative Union. I want to emphasize the participation of the Burgas Free University, which will ensure communication with scientific circles and the training of future businessmen and exchange personnel. The overwhelming part of the business capital, over 60 percent, is private. I would like to mention the names of the private companies Khilpa-OOD, Atkontreyding-OOD, Akhtokomers, Trakiya-33, and others.

[Emanuilidu] Every exchange has rules. What will yours be?

[Manolov] The Regulations of the Regional Burgas Commodity Exchange were accepted days ago. They reflect all of the conditions, requirements, and obligatory features for business on the exchange. We want to attract as many members as possible, as many serious Bulgarian and foreign companies as possible. The fee for purchasing a broker's seat and for membership in the Chicago Exchange is \$330,000. A broker's table in the Moscow raw materials exchange costs 2,600,000 rubles. In view of the conditions in Bulgaria, we feel that a high price for a broker's seat would eliminate the desire for membership in the exchange. Therefore, the price of a broker's seat for the first six months of 1992 was set at 15,000 levs. There are already 14 commodity exchanges in Bulgaria. The best thing is that each is different in form from the others. We are setting out for the same concept along different routes. Thus, the Burgas Exchange is a company with limited liability, the Sofia Exchange is a company with a fixed purpose, and the Vratsa Exchange is a limited partnership. There are also corporations. The form will begin to be clarified upon the adoption of the new exchange law.

Also, we have taken the first step toward association of the commodity exchanges in Bulgaria—that is, we have a

desire to help each other voluntarily in the development of the exchange business in the country, to create some rules for the exchange business and some techniques for training the brokers, and, at the same time, to form a good internal information network, along which information flows from exchange sessions and offers, so that, while a real exchange business in Bulgaria is being worked out—a basic element of the market economy—in practice, we will help ourselves, and, for that reason, the Exchange Association is an exceptionally successful tool. And, after that, there is room enough for everyone under the sun.

[Emanuilidu] Won't the independence of the exchanges be destroyed in the Exchange Association?

[Malonov] I emphasize once more: This is a voluntary collaboration, without commitments. The goal of the association is to provide information and to ensure channels for the mutual sharing of information, even—why not?—to come out with a legislation initiative on the basis of accumulated experience. In time, we want this information network to become a member of the Reuter information network that serves the international exchanges.

[Emanuilidu] Can we already tell what commodities will be traded in the first sessions, and, actually, has the moment come for the first session?

[Malonov] If we consider the desires and ambitions of the exchange, we would have been able to start the exchange session tomorrow morning. However, our wish and that of the entire business community is that the exchange be where it was years ago. There is the question of the old building of the former Chamber of Commerce and Burgas Commodity Exchange, which is now used by the District People's Council. Unfortunately, we still cannot solve this problem.

I hope that the Regional Burgas Commodity Exchange will specialize in trade in agricultural products, the products of the food and tobacco industries, metals, petroleum products, and transport. We feel that one of the great advantages of the Burgas Commodity Exchange over the others is the exceptional geographical location of Burgas. No city has such strong transportation organizations: The best airfields, the biggest international truck garage, and the largest commercial ports are on the territory of the city of Burgas. All of this, combined with the exchange and the free trade zone—we consider that that in and of itself speaks on behalf of the advantages of the future and the already active Regional Commodity Exchange in Burgas.

Regional Unemployment: Conditions, Statistics

Introduction

92BA0482A Sofia ZEMEDELSKO ZNAME
in Bulgarian 13 Dec 91 p 1

[ZEMEDELSKO ZNAME introduction to a trio of articles on unemployment in Bulgaria: "Unemployment: We Are Sinking; Is There a Way Out?"]

[Text] This is not an introduction to the subject. The diagnosis was given long ago, but the treatment is delayed (no efficacious remedy has been found!) and the disease acquires an epidemic nature with unforeseen social consequences. As early as the end of October, unemployment crossed the critical 10-percent boundary and now, according to statistics from the National Labor Exchange, the unemployment number is more than 402,000 persons, and vacant jobs are 11,096. The prognoses for 1992 are in somber tones: The number of unemployed is expected to reach 645,000, while 251,555 of those will have to be paid compensations (1.602 billion levs of this, if it exists, will have to come from the state treasury).

Of course, the pinchers of unemployment can be loosened, but the complete and categorical solution to the problem is seen in the Employment Law and the new Labor Law (which in reality gives a whole new meaning to the old Labor Code). Indeed, they, in a package with the remaining three laws—for social security, social welfare, and protection of labor—should force a path as soon as possible to the council-chamber of the National Assembly. However, that should have happened long ago.

In a series of three articles—from Plovdiv, Varna, and Sliven—we will stare into the face of unemployment and, mainly, we will look for life-saving steps on the stairway that for the time being leads...down.

Plovdiv

92BA0482B Sofia ZEMEDELSKO ZNAME
in Bulgarian 13 Dec 91 p 1, 3

[Article by Jordan Karavachev: "A Sad Record for Plovdiv"]

[Text] Among the large cities, Plovdiv continues to occupy the leading place for the most unemployed. In the Labor Bureau, 20,398 persons are registered—or over 11 percent of the active population. There are still no bankrupt state firms, but, in some of them, layoffs are drastic. The enterprises most often referenced are Elektroaparaturni Zavodi, Zavod za Elektrosvigateli, Progres, Balkan, and Anton Ivanov. In the near future, it is expected that such companies as Pisheshti Mashini and Aviationsna Tekhnika will each add about 100 names to the carefully prepared columns: 12,632 workers with specialties, 6,387 specialists, and 1,380 general workers left on the street.

Engineering and technical personnel lead the list according to specialties with 3,544 persons, followed by teachers with 1,096 and economists with 447. And most amazing is that in Plovdiv, the city and the township with no farming, 447 unemployed specialists from that field are registered here. Some of the highly educated are perhaps ready to tear up their diplomas because, like them, another 2,860 persons are waiting for some job to be vacant—something that is hardly likely, at least at this moment.

The trend is for unemployment to increase. The reasons are this—a large-scale drop in production. Before, materials were lacking, and now markets are lacking as well. According to Slavka Rindova, chief of the Labor Bureau:

—Better days are not expected for us. During this year, every month we have registered an average of 1,200-1,400 unemployed, while, during the months of March and August, the numbers peaked, with over 2,000 persons, and we are offering 777 vacant jobs primarily for health workers, construction workers, firemen, and others who perform low-qualified work. Plovdiv pays a high tax to a badly built economic and production structure.

And to that I will add to the "great concerns" of the former rulers, who, either deliberately or not, held back the Plovdiv workers for years with a 9-percent lower working wage than the average in the country. And now, to ensure a sort of minimum for those engaged in production, many more cuts are being imposed.

The experiment, which is ready to start on 1 April of next year with the introduction of a model Labor Bureau prepared according to a program of U.S. specialists, will improve service to the enormous stream of people waiting for hours on end for social assistance, without work being recommended to them. (Of course, that is not its purpose.) And, as unpleasant as it is for us, when we look indiscriminately at the accumulated production capacities, frozen for millions, we begin to understand that we will go toward world unification with empty pockets, and no one is in a position to help us—except we ourselves.

Varna

*92BA0482C Sofia ZEMEDELSKO ZNAME
in Bulgarian 14 Dec 91 pp 1, 3*

[Article by Petur Marinov: "People in a Vacuum"]

[Text] Unemployment in Varna township is a serious social evil and is increasing. With the conclusion, as it is, of the most unsuccessful resort season, the lines before the Varna Labor Bureau are becoming longer and longer. The total number of registered and nonestablished unemployed is 14,366 persons, and, during last month alone, 2,185 persons were registered. That is a peculiarly high number, which is expected to be exceeded during December and January. And then the percentage of registered unemployed will be far higher than it is at present—10.66 percent of all workers.

Downright tragic is the state of employment among women. Whereas 58 men still compete for the same job, the proportion among women is 516 candidates for the same job. Also, specialists with high educations, young specialists, and personnel with no educations have almost no chances of finding work.

Interesting also is the age makeup of the unemployed: 69.31 percent are between the ages of 30 and 50, 62.2

percent are under 30, and 55.27 percent are over 50. The largest category is that of workers, with 64.34 percent, followed by specialists, with 26.42 percent. The number of unemployed management and service personnel totals about 10 percent.

It is alarming that nearly 70 percent of unemployed come from the sphere of material production. But even more alarming is that their numbers may increase because, in many of the leading state firms in the area of the township, there is no actual loading of the production output. Because of a lack of markets, and last but not least a lack of materials in many places, there is actual disguised unemployment—some of the workers are on temporary paid or unpaid vacations, their only hope being to preserve their jobs. But they are not the issue right now—rather, unemployed people from industry and construction, who exceed 47 percent of the total number of unemployed. It is for them that courses must be opened for requalification at the Labor Bureau because practice has shown that requalification courses present the best possibility for adjusting labor resources, and because those completing such courses have the greatest chance of finding work quickly.

Indeed, along these lines, a well-founded active program for labor employment is necessary in Varna, with the cooperation of the township authorities. And the Varna Labor Bureau is carrying out the functions—at least for now—of registering the unemployed and paying social assistance. Practice shows that the number of unemployed expressing a desire to begin independent economic activity can be counted on one hand. There are one or two indications in the Labor Bureau of unemployed individuals receiving social assistance and, at the same time, working for fees at private firms. Some of the cases are confirmed and then the assistance stops, but, in the majority of cases, the indications are not true. These are only outlines of the many-sided picture of unemployment in the country's third-largest city.

Sliven

*92BA0482D Sofia ZEMEDELSKO ZNAME
in Bulgarian 17 Dec 91 pp 1, 3*

[Article by Ivan P. Ivanov: "When Industry Suffers a 'Knockdown'"]

[Text] Even the greatest optimists cannot hide their fears of the expected and near future: every seventh able worker in the Sliven region unemployed. The Christmas holidays and the New Year will greet 10,000 unemployed, who every day stare with exhausted patience and slipping hopes at the updated lists of announced vacancies. In the region at present are only 78. The percentage of unemployed compared to the total number of employed in all fields and activities is 11.48 percent, which figure puts the Sliven region among those in first place in the country. In this strongly industrialized region, the registered number of unemployed at the

Bureau of Labor in working professions is 48.6 percent, while specialists are 20.3 percent and those with no professions 31 percent.

The problem of young people is especially alarming. Fifty percent of those seeking jobs are under age 30, and the group with the least chance of finding jobs somewhere are women and mothers with young children, representing 28.1 percent. The long-awaited effect of Council of Ministers Decree No. 110 proved to be our consecutive wishful thinking and palliative, which did not accomplish a great deal. The decree gave certain opportunities to firms to offer new jobs or to preserve those in existence, but practice showed that our diseased economy will not recover with a similar pill.

Firms in the Sliven region are in a clinch and will continue to dismiss people for a number of mutually related reasons, which to a great degree are common to the country—the lack of raw and other materials supplied with currency or import components; great difficulty implementing production tied until recently to CEMA; and last, but not least, the high interest rates with the use of credits. In expectation of a restructuring of the economy of the township and the Republic, firms cannot give a realistic prognosis for future consumption of new jobs and would sooner prophesy new layoffs of workers, if the reform goes in the present direction and at the same tempo. New jobs will come and will touch social tension only after quick legislative action on land privatization, restitution of ownership, and real tax preferences for small and midsize enterprises in light industry and the food, wine, and tobacco industry, for whose creation the Sliven region has many good preconditions.

Conclusion

92BA0482E Sofia ZEMEDELSKO ZNAME
in Bulgarian 17 Dec 91 p 3

[ZEMEDELSKO ZNAME conclusion to a trio of articles on unemployment in Bulgaria: "Unemployment: We Are Sinking; Is There a Way Out?"]

[Text] Plovdiv, Varna, and Sliven—three faces of unemployment that, besides the peculiarity of the local conditions, have something very much in common. Alarming, too, the nightmarish outlines of unemployment, which concentrate the energy of an unimaginable social explosion. This social evil is running parallel with unloaded output and a lack of a market for production, while, at the same time, 70 percent of the population lives below the social minimum.

The first and chief way out is the law, but, together with that, we do not neglect the building of a qualification system in the country, the efficiency of rational specialized programs for employment of the population. The unemployed are neither a surplus, nor are they the waste of society. But the unemployed should not "recline" on social assistance—they must flexibly retune themselves for the labor market.

And the National Assembly and the government need to know: A starving nation does not dance the hora.

Disease Controls at Borders Criticized

92BA0442B Sofia BULGARSKI BIZNES in Bulgarian
6 Jan 92 p 4

[Article by Sasho Stoyanov: "Border Plant Disease Control Is Being Hindered; The Lack of Competent Specialists May Lead to Importing Dangerous Diseases"]

[Text] With the expansion of international trade ties, our country began the import of goods of plant origin from different geographical regions. This objectively increases the possibilities for the introduction and dissemination of new, dangerous quarantined diseases, pests, and weeds of agricultural crops and forest plantings in our country and imposes a great responsibility on the border plant disease control.

The control system and, in particular, the regional plant quarantine inspections are being hindered in carrying out their duties at the present time because of the lack of personnel at certain border-control checkpoints.

Twenty-five plant quarantine inspectors were eliminated in accordance with Council of Ministers Decree No. 44 of 19 March 1991. This forced the closing of the Gyushevo and Kardam border checkpoints for the import and export of goods of plant origin. Truck traffic is directed to cross through the Kalotino main control checkpoint and, correspondingly, through Ruse, which significantly increases the transportation costs of our trading partners and is in violation of the international convention.

The Bregovo, Vrushka Chuka, and Malko Turnovo control checkpoints have specialists on duty only during the day shift, which forces trucks to stay in the area of customs houses.

The Zlatarevo checkpoint opened on 8 July 1991, recognized as international by the Ministry of Foreign Affairs and opened for import-export and the transit of goods of plant origin by the Ministry of Agriculture, does not have plant quarantine specialists.

In the final analysis, of five checkpoints on our border with the Socialist Federal Republic of Yugoslavia, only one (Kalotino) is thoroughly operational; Bregovo and Vrushka Chuka operate only during the day, and Gyushevo and Zlatarevo do not operate. This state of plant disease control provokes (up to now unofficially) the dissatisfaction of the Yugoslav Border Services, who intend to inform the European Plant Protection Organization and to stop the movement of goods from and for the country through the border points where our services are understaffed.

All of these difficulties in protecting the country from the penetration of dangerous diseases, pests, and weeds, in

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carrying out international trade relations, and abiding by the international conventions provide the basis for the Ministry of Agriculture to ask the Ministry of Finance to increase the numerical composition of plant quarantine

inspectors by 10 persons, especially considering that this will not burden the budget allowance for the plant quarantine system, which was converted to a 60-percent self-supporting basis on 1 September 1991.

FIDESZ Congress Charts Policies, Strategy
*92CH0376A Budapest NEPSZABADSAG in Hungarian
10 Feb 92 pp 1, 4*

[Unattributed article: "Interpreter's Role Between the Churches and Politics; Federation of Young Democrats Is Already Preparing for 1994"]

[Text] Anyone who questioned whether the 4th Congress of the Federation of Young Democrats [FIDESZ] would be conducted in the spirit of preparing for the 1994 elections could have obtained convincing evidence on Sunday, when personnel decisions were made. Eight parliamentary representatives had been elected to the 13-member FIDESZ board. Reinforcement of the FIDESZ' executive body with practicing, professional politicians, also demonstrates what faction leader Viktor Orban had said in response to a NEPSZABADSAG question: One cannot win the next elections merely by campaigning; two years of tenuous work is required.

The FIDESZ does not want to lose its youthfulness and its character of being a movement. Delegates to the Congress accepted the fact that the FIDESZ was no longer the same organization as the one in which they began their political activities, even though some were rather bitter about this change. The FIDESZ needs professional party politicians, local government representatives, and experts. But as it turned out from a report filed by a section called "FIDESZ groups in local public life," persons not interested in "serious" high level politics also have an opportunity to find their places within the FIDESZ. One delegate said that due to its peculiar features, the FIDESZ has huge opportunities to catalyze the self-organizing efforts of civil society.

Speaking of economic issues, delegates sharply criticized agricultural protectionism that is gaining strength. As they said, the agricultural problem cannot be resolved as a result of redistributing income or by forced changes in ownership; structural change is needed instead.

In the course of section debate one delegate regarded the government's lack of action in managing unemployment as saddening. FIDESZ delegates believe that structural unemployment could be reduced as a result of training programs, and many suggested that increasing the number of years one could spend in schools might help mitigate unemployment among young people. Similar proposals were made within the educational committee. The conference also revealed that FIDESZ' economic policies have come into conflict with its social policies because the anti-inflationary policies of the FIDESZ would unavoidably result in increased unemployment. But FIDESZ economic experts believe that the two problems could be managed jointly in the long term if the government did not use privatization revenues to finance its current expenditures, but instead, reinvested some of these revenues into the systems that provide for

the unemployed and manage unemployment. In contrast, the present economic policy may easily lead to a situation in which both inflation and unemployment increase.

Several proposals were made by FIDESZ mayors, deputy mayors, and local government experts, who attended the Congress in a consulting capacity, concerning ways in which the standards of education could be improved under present circumstances. Having an educator's charta was one such idea. Such a document has been prepared in several cities; they state what individual cities expect from educators, and the types of benefits and free services the various cities offer in exchange. At the same time the FIDESZ is urging that techniques of democratic methods of enforcing interests be taught in schools. Insofar as the issue of parochial schools are concerned, delegates adopted a position according to which one should make every effort at the local level to reach agreements between the various churches and local governments. It is possible to find mutually acceptable solutions if both parties want to reach an agreement, according to the mayors, based on their own experience. On the other hand, FIDESZ delegates insist on preserving the ideological neutrality of state schools in every settlement.

The FIDESZ is striving to play a certain interpreter's role between the churches and the state, the Congress was told. As Gabor Fodor underscored: "The stowaways on the ship of Christianity" try with increasing intensity to involve the churches in political activities, even though Christianity is not the business of parties. Several participants at the Congress felt that in many respects the FIDESZ was closer to West European Christian Democratic parties than the Hungarian organization that bears that name.

Youth policies underwent the greatest change among all FIDESZ policies as compared to their earlier positions. Since the system change and the policies of the Antall government thus far have not produced the anticipated results, i.e., no future and youth-oriented legislation has been enacted, the FIDESZ has decided to henceforth hand the bill for the generations reaching adulthood in a far more pronounced and firmer fashion to the government, because in their view, the Antall cabinet that turns to the past and ponders history does not provide any perspective to anyone. Delegates to the Congress expect firm action from their parliamentary representatives at the earliest possible date, primarily in the fields of educational policies and youth unemployment. According to their estimates, the number of unemployed under the age of 25 may reach 150,000 by the end of the year.

[Box, p 4]

Provisions guaranteeing the right to self-determination of national minorities should be made part of bilateral agreements to be reached with neighboring countries, a press conference held by the nationalities forum was told

at the FIDESZ Congress. Since the FIDESZ had been frequently accused of insensitivity regarding the problems of Hungarian minorities abroad, the forum organized in Pecs could be perceived as a means to demonstrate that the FIDESZ was not indifferent regarding this issue either.

Representatives of Hungarian organizations arriving from Czechoslovakia, Voivodina, and Romania urged in the presence of journalists that the Hungarian Parliament enact a minority law at the earliest possible date.

[Box, p 4]

The FIDESZ Congress elected a new party leadership on Sunday. The following former members of the 13 member national board have been reelected—in the order of the number of votes received: Gabor Fodor, Viktor Orban, Tamas Tirts, Balazs Medgyesi, Zsolt Nemeth, and Marton Modos. The new board members are as follows: Janos Ader, Laszlo Kover, Zoltan Rockenbauer, Gabriella Selmecki, Bela Glattfelder, Gabor Tamas Nagy, and Gergely Barath. Zoltan Trombitas and Jozsef Vas became alternate members of the board.

January Budget Deficit: A Warning Sign

*92CH0360C Budapest FIGYELO in Hungarian
6 Feb 92 p 4*

[Article by E.S.: "Budget Barometer: 19-Billion-Forint Deficit Already!"]

[Text] At the end of January the state budget balance sheet shows a 19 billion forint deficit. This amount seems rather terrifying at first sight, particularly if compared to the 69.8 billion forint deficit scheduled for the entire year. There is no reason to be horrified for the time being, however, according to an analysis provided by finance ministry Deputy State Secretary Gyorgy Naszvadi.

The order of paying interest on the indebtedness has changed beginning this year; instead of paying at the end of each quarter as before, interest must be paid monthly and in advance from the state budget. This item alone amounted to a 12.8 billion forint payment in January. (Of the 172 billion forint debt repayment scheduled for this year, only 21 billion forints represent principal, i.e., the real burden presents itself in the form of interest payments.) It would be too early to look for long term causes or to recognize trends with certainty based on the other 6.4 billion forint part of the January deficit, because the figures in the first months are always strongly influenced by carryover amounts from the previous year to the current year. Still, it is noteworthy that the revenues budgeted for January 1992 fell short of the January 1991 revenue amount by only 8 billion forints. Profit taxes paid by businesses declined somewhat, but the state's share to be paid by state enterprises for state property they possess has declined far more significantly than what could be justified by the reduction in the volume of such property due to privatization. But the

degree to which the first month's data are conditional can be well exemplified by the payment of consumption-related taxes: While general sales tax revenues amounted to much less than a year ago, overall revenues derived from consumption taxes have increased substantially. In the end, the combined total of such revenues in January amounted to 4 billion forints less than in the previous year.

Accordingly, while we will not draw long-term conclusions from the first month's data, the negative development of certain revenue items should be viewed as a warning sign for the future.

Economic Policy Chief on Monetary Matters

*92CH0360E Budapest FIGYELO in Hungarian
13 Feb 92 pp 1, 13*

[Interview with Gusztav Bager, chief of the Finance Ministry Economic Policy Division, by Gabor Karsai; place and date not given: "I Am Certain About Reduced Inflation and Reduced Interest Rates"—first paragraph is FIGYELO introduction]

[Text] Hungarian economic policy is not following the path charted by the Kupa program. This view is held not only by the opposition parties, but also by a number of economists not affiliated with the opposition parties. They assert, for example, that shortsighted political considerations have prevailed over economic rationale as can be seen from laws that tend to find their foundations in the past and from certain personal decisions; that the state-centered outlook has gained strength, as reflected in the management of the privatization process and in increased demand for policies pertaining to individual branches of the economy; and that decisions are being postponed, such as in regard to state budget reform. On top, a far greater than the predicted decline in production last year had been accompanied by a one-sided financial success propaganda and an optimistic forecast for this year. How does Gusztav Bager, the head of the Finance Ministry's Economic Policy Division view all this?

[Karsai] Do you believe that the government's economic policy is progressing in the direction and at the pace charted by the Kupa program?

[Bager] Essentially yes; they point out the fundamental success of the program thus far as compared to the economic programs of neighboring countries. The program is clear, it designates an economic policy direction that has been accepted by virtually all competent political and professional factors. We are maintaining this heavily strategic direction. In some areas, however, progress has been slower than expected, mostly as a result of international conditions, but these delays can be caught up with, moreover, an acceleration is also possible.

Although with a little delay, the financial laws scheduled by the program for 1991 have been enacted, but we are

somewhat behind insofar as laws of ownership reform are concerned. The budget reform law has been greatly delayed. This loss of time can be made up this year, however.

Last year's fiscal processes have been favorable; the balance of payments shows a \$400 million surplus and convertible foreign exchange reserves amount to close to \$4 billion. The 35 percent annual inflation rate is high, but the average inflation rate during the past six months has declined to an annual average of 10 percent with respect to producer prices, and about 20 percent regarding consumer prices. The number of entrepreneurial ventures has increased significantly and privatization has accelerated. On the other hand, the approximately 8 percent decline in the GDP, an 18 percent decline in industrial production, and within that, a 22 percent decline in large enterprise production, and the fact that the number of unemployed has reached 400,000 are unfavorable signs. The main reason for these negative phenomena is the dramatic shrinkage of Eastern markets, an event that occurred independent from our endeavors. But our reaction has been appropriate, and this shows that the Kupa program has prevailed. In a manner similar to market economies, economic performance in Hungary now clearly depends on solvent demand. Another encouraging sign is the accelerating transformation of the economic structure.

[Karsai] After last year's huge decline, the Finance Ministry's 1992 projection counts on growth, however modest that may be. (FIGYELO No. 1, 1992). Research institutes are far more modest in this regard. In the course of the December budget debate the Finance Ministry had been accused of constantly overestimating the market opportunities available to the Hungarian economy. Would not your optimistic forecasts falter if a smaller than expected GDP or artificial stimulation upset the balance of payments and the budget?

[Bager] The fact is that the necessarily restrictive elements of economic policy are unpopular. Criticism also comes from many sources: While researchers and opposition politicians accuse us of excessive optimism, others feel that growth is necessary even at the price of a deteriorating balance.

[Karsai] Does not the financial success propaganda have something to do with this, the propaganda that was probably supposed to verify the success of the restrictive policies, and that is now returning like a boomerang and could lead to an unfounded relaxation in restrictions?

[Bager] I do not believe so. Fear from a further increase in unemployment is a decisive factor. On the other hand, we cannot avoid terminating production for which there is no market, we cannot avoid situations in which hidden unemployment becomes publicly known. Restrictions may be relaxed only to the extent that our ability to export improves. A stimulation of domestic demand independent from improvements in our ability to export would threaten the foreign trade balance and the balance

of payments because of increased imports. Since a situation like this should by all means be avoided, we did not yield to excessive pressures for growth based on conserving the outdated production structure. We want to achieve a turnaround in growth, based on healthy, durable foundations.

From a professional standpoint, arguments could be made to support both the pessimistic views held by research institutions, and our more optimistic views. These arguments would depend on the way various prognoses treat the objective external conditions and the internal conditions, such as the tolerance level of the populace, that have been regarded as objective criteria by many. Insofar as overestimating market opportunities in the Hungarian economy is concerned, we actually underestimated the 1991 growth of traditional exports payable in convertible currencies as well as the way the balance of payments took shape.

[Karsai] Why is it that last year's balance of payment showed a \$400 million surplus instead of the projected \$1.2 billion deficit, and yet you are counting on a \$500 million deficit for 1992?

[Bager] Indeed, earlier we have predicted a \$1.2 billion balance of payment deficit for 1991. The fact that the actual situation had improved by \$1.5 billion is partly due to a faster-than-expected expansion in Western exports, a greater-than-expected expansion of individual foreign exchange accounts, and developments in other current accounts (e.g., foreign tourism) that were more favorable than expected. Another circumstance was obviously caused by anticipated devaluations: a larger-than-usual part of 1990 export revenues had been carried over to 1991, and part of the imports did not burden the balance of payments.

As presently calculated, the deficit represents about half the amount of the operating funds that are expected to flow into Hungary. This means that our indebtedness may be reduced by about \$500 million without reducing the total amount of resources attracted by the national economy. Thus a healthy process, the exchange of financial indebtedness for the influx of operating capital, begins. We also counted on the possibility that the noncommercial items within the balance of payments (foreign tourism, transfers, etc.) would be less favorable than in 1991.

[Karsai] I suspect that at this point we are not sufficiently familiar with the background of the export increment we had achieved. We do not know how much of it is economical and can be continued in the long term, and how much has been the result of constraint, which cannot be repeated because of the inefficiency or bankruptcy of a given enterprise.

[Bager] Our forecast is based on the assumption that a large part of the market loss has already occurred, that the number of new, modern corporations would show a

dynamic growth, and that the influx of foreign capital would continue. Besides, it is easier to attain some growth after a huge drop.

Much of the exports resulted from the successful adaptation of enterprises. An increasing proportion consists of products manufactured by small enterprises and by joint ventures. The outstanding growth in machine industry parts exports is especially favorable.

[Karsai] But exports require modern capacities, while investments have continuously declined for a long time in Hungary.

[Bager] We are counting on the influx of foreign capital, on a generally more vigorous entrepreneurial tendency as a result of privatization, and with that, on some increase in investments.

[Karsai] This, however, would increase imports, not exports in the short run, i.e., it would deteriorate the balance.

[Bager] This is true, and this is one reason why we must avoid an unfounded upswing. Importation of machinery backed by operating capital is desirable. This is so in part because this way the imports are covered by resources, and in part because the greatest chance for efficient investments exists with respect to joint ventures; although one could also expect this to be the case in regard to Hungarian private entrepreneurs. This is indicated by the improved structure of investments and by the movement of domestic capital that has been freed.

[Karsai] From the balance of payments standpoint the extent to which individual savings cover the new credit needs of the entrepreneurial sphere and of the state budget is important. With what margin of safety can you predict the way individual savings will evolve?

[Bager] In 1991 net individual savings have increased from the previous year's 85 billion forints to about 230 billion forints. A significant part of this is due to the repayment of 70 billion forints worth of preferential housing loans and to the fact that in conjunction with this, the state forgave indebtedness amounting to about 77 billion forints.

This year it will be possible to repay nonpreferential housing loans—in this case the state will forgive one-third of the loans—but the impact on individual savings will certainly be of more modest proportions. If, on the other hand, we succeed in reducing inflation to the 20-to-25-percent rate forecast by us, and if interest rates decline to a smaller extent, individuals will be paid positive real interest as a continuation of the process that began during the second half of last year, and this will obviously stimulate savings. All in all, we are counting on between 160 and 180 billion forints worth of individual savings in 1992.

[Karsai] Based on the Finance Ministry's 1992 economic program, a reduction in the interest rate level would have to contribute to a reduction of the inflationary

pressure, and interest rates would have to follow increases in price levels during the subsequent period, and not the previous period. This "preventative" reduction in interest rates contradicts what you have just said and it also conflicts with the idea of stimulating savings; moreover, as a result of the stimulating effect exerted on demand, it also contradicts the anti-inflationary goal. All this raises questions from another standpoint about a spectacular reduction in the inflation rate.

[Bager] This complex issue is being debated from many viewpoints. For example, the question has been raised whether the MNB [Hungarian National Bank] should reduce the discount rate first, or should commercial banks reduce their lending interest rates, and how this should relate to the inflation rate. Even if I am not sure about exact figures, I am certain that inflation and interest rates will decline. It is true that reduced interest rates would exert a stimulating effect on demand, such reduction would also reduce the inflationary pressure on the expenditure side. Incidentally, a better adjustment between interest rate levels and inflation, as we just mentioned, will occur not as a result of the program, but based on relationships that are part of economic theory.

[Karsai] What relationship is there between the Finance Ministry and the research institutions that provide more pessimistic forecasts?

[Bager] The Finance Ministry endeavors to cooperate with the larger institutes. In the near future we will prepare a joint analysis of the processes of the past two years. In addition, it would be useful if their analyses could also be used in preparing a long-term economic concept that is sorely missed, and that is also missed by serious foreign investors.

Vanishing Trade Barriers: EC Provisions Detailed

*92CH0360A Budapest FIGYELO in Hungarian
6 Feb 92 p 17*

[Article by "LER," based on a presentation made by Dr. Ferenc Kleinheinc, director of the Ministry of Industry and Commerce, at the MAGOSZ [expansion unknown] professional meeting in January: "On Hungary's Agreement on Association: Without Customs Duties and Without Borders"]

[Text] Hungary has 10 years to prepare itself to join the EC. This presents a unique opportunity for both the government and for entrepreneurs, one that is not going to be available again.

The agreement on association consummated last December—yet to be approved from the standpoint of law—between Hungary and the EC is not without antecedents. The 1988 trade and economic cooperation agreement with the EC, and the EC ministers' April 1990 decision to provide an opportunity for Czechoslovakia, Hungary, and Poland to become associated with the EC in the framework of a new structure, had been important

milestones in this process. The agreement between Hungary and the EC differs in substance from agreements of association the EC had reached with a number of other countries before, agreements that essentially relate to free trade. The agreement reached between the EC and Hungary—and the other two former socialist countries—contain elements that may serve as future building blocks.

Reduced Customs Duties

Only a single paragraph in the three volumes that comprise the agreement on association stipulates that Hungary's ultimate goal is membership in the EC. This paragraph is very important nevertheless, because it is of an indicative value. Based on the agreement we may expect to become full members of the EC in 10 years; the agreement is subject to automatic review in five years and, hopefully, this review is also going to represent a step forward. The agreement on association is asymmetric: During the transitional period it will provide more to Hungary than what is expected in exchange from Hungary.

The chapter concerning the free flow of goods includes, among other things, the following provisions: Beginning on the effective date of the agreement, i.e., on 1 March, EC member countries will not charge customs duties on 70.8 percent of our industrial exports. With respect to another 4.3 percent of our industrial products—including a few products having the character of materials—the customs duty to be charged upon entering EC countries will be reduced by 50 percent, and will be abolished in the course of a year. Regarding goods comprising 2 percent of Hungarian exports, the reduction will take place in five steps of 20 percent each before the customs duties are abolished. With respect to 25.9 percent of our exports—including "sensitive" products like chemicals, but not steel and textile products—customs duties will be reduced by 10 percent annually on volumes over and above the customs duty contingent, and the customs duties that will remain at the end of the fifth year are going to be discontinued at the same time when customs duty contingents are terminated. The process is more strict regarding textile industry products and materials having the character of textiles. In this regard, customs duties will be discontinued in the course of six years, but in a way that when the agreement takes effect, customs duties will be immediately reduced by 28.6 percent for the first two years, and the rest of the reduction will take place gradually, on a prorated basis. Hired labor is dealt with on the basis of special considerations because there is no customs duty involved. Customs duties on products containing steel will also be phased out in the course of six years, in four 20 percent reduction steps, and during the last two years in two 40 percent reductions.

What does the Hungarian party offer in exchange? We will abolish customs duties on 15 percent of our imports from the EC in the course of three years. The products to which this formula applies are contained in the so-called

accelerated list. With respect to products contained in the so-called normal list, we will begin to abolish customs duties during a three-year period beginning in 1995. Twenty-two percent of all goods are included in this list. In contrast, 63 percent of all imported goods appear on the "slow-down list"; regarding these products—such as most chemicals, synthetics, textiles, steel industry, and machine industry products—we will abolish customs duties in the course of seven years, beginning in 1995. (The list showing specific product categories is available at the Ministry of Industry and Commerce!)

Fees having the character of customs duties is a peculiar feature of the Hungarian customs system. The agreement on association provides that the 1 percent fees payable for licensing will be abolished as of January 1997, the 6 percent customs handling fees will be discontinued as of January 1996, and the 3 percent statistical fees [as published] will be terminated in six steps between 1995 and 1997.

Quotas To Be Terminated

What is the situation with quotas? Except for agreements involving textile products, the Community is discontinuing all kinds of quantitative restrictions vis-a-vis Hungary. Regarding textiles, a future agreement will depend on a decision to be made regarding the same subject by the GATT Uruguay Round of trade negotiations. In turn, except for steel and textiles, Hungary will gradually increase its import contingents until the end of 1997 and will completely abolish the quota system by the year 2001. Regarding steel products the legal document makes reference to the fact that Hungary agrees to exercise a certain amount of self-restraint in order to avoid disturbing EC markets. In regard to consumer goods, the Hungarian party will establish an EC sub-quota within the global quotas, and will increase the permissible volume of imports by 10 percent each year. At the same time, import quotas for passenger cars will be increased by 7 percent annually.

There should be no doubt that the dismantling of customs duties provides a great advantage to Hungary. Starting out from the fact that our exports last year amounted to \$5.4 billion, and of this, between \$2.5 billion and \$3 billion worth of goods were destined for EC countries, and further, that customs duties will be abolished with respect to 60 percent of this volume, i.e., \$1.4 billion worth of goods: The savings on customs duties to be realized by Hungary in 1992 will amount to between \$160 million and \$170 million. And at this point we have not yet discussed the indirect assistance Hungary is to receive as a result of association. Becoming associated with the EC means a system of qualitative requirements that is going to prompt adaptation endeavors within industry. The scope of new opportunities for innovative relations will increase, we will be able to appear on new mass markets, etc. A word of caution is due, however. Reduced customs duties apply only to Hungarian products, and products manufactured

in Hungary qualify as Hungarian products only if the value added in Hungary amounts to at least 60 percent of the total value! (For example, the value ratio of Hungarian products in Suzuki passenger cars will be less than 60 percent, therefore the above rule will not apply.) Another rule applicable to the machine industry—except for the communications and vehicle industries—also provides that materials that do not originate [from the manufacturing country—Hungary] must not exceed the value of the materials contributed by Hungary. Quite naturally, it will also be possible to regard EC materials, and not only Hungarian materials, as materials originating from the manufacturing country. Moreover, upon the successful conclusion of Hungarian, Czech, and Polish free trade negotiations, and if we succeed in reaching an agreement with EFTA [European Free Trade Association], the scope of materials to be considered as originating from the manufacturing country may also be expanded by materials originating from these countries.

Among a number of supplemental legal provisions contained in the agreement on association there are a few which serve the purpose of protecting Hungarian industry. Relative to a few nascent industry branches, or if we are able to prove that a certain branch of industry is of regional significance, we will have an opportunity to increase customs duties by 25 percent. The criteria by which given industry branches may be included in this category are very strict, of course, therefore this concession may remain an opportunity in principle only.

The agreement on association does not provide concessions regarding the interstate movement of labor. Settlement [of EC business and industry in Hungary] is another matter; related provisions require us to provide national treatment to both corporate and individual

entrepreneurs within five years. (This only applies to entrepreneurs from EC countries, of course.) At the same time, however, the EC permits the settlement of Hungarian corporations in EC countries as of the effective date of the agreement, and five years hence, the settlement of individual entrepreneurs will also be permitted.

Financial cooperation is covered by a separate chapter in the agreement on association. It is a well-known fact that Britain, although a member, is strongly opposed to the monetary union, and the virtual full surrender of sovereignty has sparked internal disputes. The fact is that in the community we want to join by the end of the century or in the early part of the next century, decisions are not made at the national level, but on a much higher, supranational level. Aside from the general challenge presented, it is precisely for this reason that the disintegration that resulted from the collapse of CEMA in an increasingly integrating world presents a rather special problem. Disintegration must be stopped, otherwise we will be swept to the peripheries. Only one strategic decision can be responsive to the birth of a united Europe: We must adjust ourselves to the uniform standards—and not only with respect to technical standards—and we must comply with the requirements established in the agreement on association.

East European Investment Funds Detailed

92CH0360B Budapest FIGYELO in Hungarian
6 Feb 92 p 20

[Table published in EASTERN EUROPEAN BUSINESS of 6 January: "Investment Funds in East Europe"]

[Text]

Investment Funds in East Europe

	Sponsor	Manager/ Adviser	Size of Fund	Type	Active Since	Proportion of Invest- ments in Percent- ages	Price of Share	Subscrip- tion	Designated Pur- pose of Investment
COHFIN, S.A.	De Bene- detti Group	Compagnie Financiere Hongroise	80 million French francs	Closed	1989	All	Private sale	None	Improvement of Hungarian indus- trial enterprises (industry)
Hungar- ian- American Entrepre- neurial Fund	U.S. Gov- ernment (based on SEED Law)	Hungar- ian- American Entrepre- neurial Fund	\$20 mil- lion (\$60 million after three years)	Closed	June 1990	30 percent	U.S. Gov- ernment	Private organiza- tion	To stimulate the establishment of private firms, \$35,000 loan to midsized firms (agriculture, industry, com- merce)
Polish- American Fund	U.S. Gov- ernment (based on SEED Law)	Polish- American Enterprise Fund	\$100 mil- lion (\$240 million after three years)	Closed	May 1990	\$30.7 mil- lion based on agree- ment, \$80.7 mil- lion for active invest- ment	U.S. Gov- ernment	Private organiza- tion	Same as in Hun- gary

Investment Funds in East Europe (Continued)

	Sponsor	Manager/ Adviser	Size of Fund	Type	Active Since	Proportion of Invest- ments in Percent- ages	Price of Share	Subscrip- tion	Designated Pur- pose of Investment
Czech and Slovak American Entrepre- neurial Fund	U.S. Gov- ernment (based on SEED Law)	Czech and Slovak Enterpre- neurial Fund	\$35 mil- lion	Closed	March 1991	A number of invest- ments have been completed	U.S. Gov- ernment	Private organiza- tion	Same as in Poland and Hungary, except for small enterprise loans
Emerging Cities, Ltd.	Madison Trust Ltd. (with appointed head)	MALET Securities, Ltd.	Phase 1.: 25 million pounds sterling; Phase 2.: 100 mil- lion pounds sterling	Closed (maxi- mum 10 years)	In the process of being negotiated	None invested	Private sale	None	Investment loans up to \$500,000; development of ownership condi- tions through investments
East German Invest- ment Fund	County Nat. West, Ber- liner Bank, Wood McKenzie	Ermgassen & Co.	18 million pounds sterling	7 years, closed	January 1990	One invest- ment has been started	Private sale	Inter- national Securities Exchange	Enhancing privati- zation in East Germany (devel- opment projects may be financed by the fund to the extent of 49 per- cent, and by financial institu- tion investments to the extent of 51 percent)
Euroven- tures Magyar- orszag B.V.	Antra Ltd. (Budap- est)	Euroven- tures B.V. Magyar, Foreign Trade Bank, cofounder	32.6 mil- lion Dutch florins	10 years (with 3- year extension)	In the process of being negotiated	Two agreements have been reached	15,700 Dutch florins per share	Registered only in Nether- lands, no subscrip- tions	Export-oriented; development of enterprises that cooperate with foreign firms

Closed or open investment fund is a legal distinction; in the former, funds may be used during a definite period of time, while in the latter, a fund is designated that may disburse funds during an indefinite period of time.

Source: EASTERN EUROPEAN BUSINESS, 6 Jan 92

Trade Prospects With Eastern German Territories

92CH0360G Budapest FIGYELO in Hungarian
13 Feb 92 p 43

[Article by Dr. Istvan Viragh, commercial counselor at the Berlin office of the Hungarian Embassy: "Our Economic Relations With the Eastern Territories: There May Be a Continuation"]

[Text] The unification of Germany has also presented new tasks for the market organization in Berlin. The Berlin office [that formerly represented Hungary in East Germany] has renewed itself, and it regards as its tasks the building of relationships, assistance to firms in their marketing work, and mutual information exchange. The office pays special attention to providing business assistance to small and medium-size firms as well as to individual entrepreneurs.

With the discontinuation of the GDR, Hungary has lost its third largest trading partner and most of our diverse, close economic relations have been scaled down. The multiplier (1 ruble = 2.34 German marks [DM]) introduced as part of the monetary union has caused severe distortions in bilateral trade in 1990 already. German enterprises cancelled almost one-third of their Hungarian export orders. This, in part, resulted in a significant amount of Hungarian indebtedness and in part has caused demonstrable damage to the Hungarian economy.

German unification and the deep-seated changes that took place in Hungary have created fundamentally new conditions for economic cooperation and trade between the eastern territories and Hungary. Qualitatively new relations must be developed to replace the thus far centrally directed relations, and this must take place in a totally new economic system, within a new institutional framework and amid evolving market conditions.

Slow and Costly

Considering the fact that the economic aspects of unification have progressed slower (and with larger investments) than expected, thus rendering the actual economic integration of the new territories as a longer process, it appears necessary to temporarily treat the five new territories separately in the framework of our external economic strategy for Germany.

The rebuilding of the economy and the infrastructure of the eastern German territories has begun. An economic upswing may be expected to begin toward the middle of the year, and the predicted "boom" in construction and investments also offers favorable points of interaction for the Hungarian economy. One may count on the fact that within a few years state of the art technology will exist in the eastern part of Germany and that the pace of development in the new territories will be as fast as it had been in Bavaria during the 1970's. In order to take advantage of these opportunities it would be possible and appropriate for us to become involved in this process on a timely basis. It is my view that such cooperation will continue to offer comparative advantages to both sides. After several decades of close cooperation a radical, mutual loss of markets can only be a temporary phenomenon.

The decision reached by [the German] Parliament in the summer of 1991, according to which Berlin would become the center of government, also means that the capital and its vicinity will become an important business center in Europe, and we must not disregard this fact from the standpoint of our external economic strategy. The special treatment of the five new territories during the transitional period may require intervention at the state level, and the use of centrally directed efforts to influence trade. This could also become necessary because a discontinued CEMA and the transition to settling accounts in convertible currencies turns both the Hungarian and the eastern German enterprises toward Western markets; on the other hand, from a practical standpoint, some of the Hungarian enterprises have written off the eastern German territories after the unification. We will lose time and space if we entrust the development of our relationships to spontaneous effects exerted by evolving, weak market conditions.

10 Percent

The need for central assistance has also been recognized on the German side and the Federal Government is supporting the economic development and trade relations of the eastern territories with Central and East European countries by various means and temporary rules. (For example, see Common Market rules for duty-free import opportunities, Hermes export credit guarantees.) Various endeavors can also be seen in the territories to support economic cooperation with East European countries. (An export promotion office has

been established in Brandenburg, a joint committee is being established in Saxonia for the development of bilateral relations.)

Quite naturally, the five new territories have different economic characteristics; in our view a relatively rapid economic upswing may be expected to take place in Saxonia, Sachsen-Anhalt, and Berlin-Brandenburg. Our most important partners had been located in these territories before, and our future relations will also be concentrated in these territories, while we must not neglect new emerging opportunities in Thuringia and in Mecklenburg-Vorpommern.

No final data is available concerning last year's bilateral trade record. According to our calculations, Hungarian exports amounted to about DM150 million, while imports were valued at DM380 million. (This does not include trade with the five new territories administered by western German firms, because statistical data does not delineate such trade.) In 1991 our trade with the five new territories amounted to about 10 percent of all of our trade with Germany, and it represents about 30 percent of our previous trade with the former GDR. The significance of this trade is nevertheless indicated by the fact that even at this low rate the trading volume exceeds Hungary's trade with France or with the United States.)

As compared to the earlier situation, the structure of mercantile trade is brand new: it reflects a decline in the ratio of machine industry products both in exports and in imports, and a drastic decline in our agricultural exports and our consumer goods imports. A new feature in these trade relations is the reduced share of the trading volume transacted by traditional foreign trading companies, and the presence of small and medium-sized firms, as well as private firms.

Linkages

The 1991 record suggests that the previous cooperation will remain viable and will be renewed under the new conditions. Cooperation in agricultural machinery production, subcontracting relative to the manufacture of railroad engines and railroad cars, and activities in telecommunications well exemplify this possibility. The fact that in order to preserve the Eastern market businesses in the new territories must be provided a stimulus to develop cooperation with their former socialist partners is also being recognized on the German side. They may lead to the renewal of part of the earlier cooperative manufacturing arrangements and specialized relations (for example, in certain branches of the machine tool, textile machinery and vehicle manufacturing, and electronics industry).

The projected "boom" of communal and private investments offer favorable points of contact for Hungarian enterprises, particularly with respect to the modernization and development of the infrastructure and of certain branches of industry. One could realistically count on the possibility that this could mean fewer prime contractor and more subcontractor relationships in the

form of merchandise deliveries, planning and installation work, and shared manufacturing, relying primarily on Hungarian-FRG firms that have already been established. In our judgment, realistic opportunities exist in the following fields:

- Road, railroad, highway planning and construction;
- Planning, construction, and installation of services relative to housing construction and maintenance programs;
- Trucking terminal (repair facilities, motels, guest service units) construction;
- Merchandise deliveries and installation related to environmental protection investments.

Depending on demand and purchasing power, we may count on increased sales of our traditional products, and opportunities will open up for the introduction of quality food products and consumer goods, and for increasing commission work in the ready-made clothing industry. From this standpoint, establishing relations with the German retail trade appears as particularly important, in part by establishing joint ventures, and in part by opening retail outlets.

New MNB Council Member Erdos Interviewed

92CH0360D Budapest FIGYELO in Hungarian
13 Feb 92 p 9

[Interview with Tibor Erdos, economist and member of the Central Bank Council, by Katalin Ferber; place and date not given: "Tibor Erdos on the Central Bank Council; The Monetary Brake Must Not Be Released"—first paragraph is FIGYELO introduction]

[Text] According to the new Central Bank Law, the Central Bank Council is the highest level executive body directing the monetary policy of the Hungarian National Bank [MNB]. Economic researcher Tibor Erdos, the chairman of the Hungarian Society of Economists, has been chosen to serve as a member of the Council. We inquired from this noted professional about his expectations and perceptions, and the monetary policy direction he feels would be appropriate to follow.

[Ferber] Who asked you to serve?

[Erdos] MNB President Peter Akos Bod. I said "yes" after thinking about it for half a day.

[Ferber] But why did he choose you? Clearly, you have been a researcher thus far.

[Erdos] The same question also came to my mind, for it is one thing to write studies and articles about monetary processes and the factors influencing monetary processes, and an entirely different thing to make practical decisions. I accepted membership in the Central Bank Council because making practical use of my knowledge is

beneficial and my research work also benefits from activities within the Council.

[Ferber] Did you talk with other members who were asked to serve?

[Erdos] I talked only with Erno Kemenes. I did not have close professional relations with the other two outside members of the Council.

[Ferber] Do you believe that the Central Bank Council will exert an actual influence on MNB decisions? Could the Council become the body that defines the direction of monetary policy?

[Erdos] This same question has already been asked by the Economic Committee of Parliament during the hearing. The Central Bank Law states that the Council is the highest executive organ directing the MNB's monetary policy. Practice will show whether this is really true. I, by all means, will endeavor to make this happen.

[Ferber] Accordingly, are you confident that the new body is going to be able to preserve its professional independence despite the dismissal of Gyorgy Suranyi?

[Erdos] I recognize the fact that there is some concern about my accepting membership in the Central Bank Council after having signed the letter protesting Suranyi's dismissal—the one published in FIGYELO. Well, I continue to believe that dismissing Suranyi was a mistake. This, however, is a closed case, work must go on. Insofar as the substance of my views regarding economy and monetary policy are concerned, they do not differ from those of Gyorgy Suranyi, nor of those of his previous advisers, Laszlo Antal and Janos Szaz. I am convinced that for the time being we must pursue a strict monetary policy, the kind the MNB has implemented during Suranyi's presidency. We must not take actions which would prompt inflation to break loose. It would be impermissible to take a series of actions that would create a boom not supported by the real economy. I have stated all this at the hearing held by the Economic and Budget Committee of Parliament.

[Ferber] Considering all this, are you not concerned that despite all the legal guarantees, the government might strongly restrict the Central Bank's latitude in its actions?

[Erdos] This threat exists, of course, not only in Hungary but in every country of the world. There can be frequent conflicts of interest between monetary policy and the actual economic policy of the government. I would be far more concerned, however, if I could not take part in the decisionmaking in the framework of the existing conflict of interest.

[Ferber] What do you see as a desirable monetary policy in 1992 and what are the most important elements of this policy?

[Erdos] I can only discuss a few important relationships at this time. It is possible to reduce the inflation rate this

year. But the extent of this reduction is debatable. Some strong inflationary factors also prevail this year— inflationary expectations are of primary concern, therefore the monetary brakes must not be released. At the same time it would not be advisable to tighten the brakes either. Interest rates must be lowered when the inflation rate begins to decline—but not sooner—and when the direction of this decline manifests itself as a firm trend. Market interest rates depend on the market factors that influence them, but the central bank can help reduce these interest rates as a result of open market transactions. The choice of the exact extent is important, the Central Bank Council will have no easy task in defining the dose to be administered. But once the inflation rate shows an undisputed decline, it will not be possible to maintain the previous nominal level of interest rates because real interest rates would increase and the monetary brakes would become even more tight. A situation like this could not be justified.

Since the inflation rate will be much higher in Hungary than in our trading partner countries, a nominal devaluation of the forint as compared to convertible currencies will take place. The pacing of this devaluation cannot be discussed at present, and it would be inappropriate to do so. In my view, however, some real appreciation must take place, i.e., the forint should not be devalued to an extent suggested by the difference in the inflation rate in Hungary and abroad. This is demanded by anti-inflationary policies and also by the desire to have capital flow in the direction of more efficient production in the course of structural transformation. Accordingly, I am not saying a stupid thing, as some newspaper reports would like you to believe, that I reject the idea of devaluating the forint despite the fact that we are counting on a relatively moderate reduction in inflation. A moderate decline in the inflation rate and a reduction in interest rates will help achieve the economic turnaround, but this is not sufficient to achieve the turnaround. Some comprehensive economic policy decisions are also needed, some that affect the amortization burden, the receptiveness of enterprises to compete, their profitability; but these matters do not depend simply on the central bank. Accordingly, certain issues will have to be reconciled between monetary policy and the overall economic policy.

[Ferber] Certain reports appeared in the press that question the possibility of reaching a consensus with the outside member of the Central Bank Council. What is your view?

[Erdos] Most of these reports are based on misunderstandings. One of these is the fact that not everyone understands the meaning of the real appreciation of the forint. This is how the impression comes about that some outside members count on devaluation and I do not, because I am talking about real appreciation. One could also misinterpret what I have said at the budget committee hearing, that I was expecting serious disputes within the Central Bank Council. In contrast: Why should a body like this exist if every member held

identical views? On the other hand, views are very similar insofar as exchange rate policies are concerned, and the same is true regarding the role to be played by, and the functions of anti-inflationary policies.

Proposed Labor Law Said To Exploit Workers

*92CH0335B Budapest MAGYAR HIRLAP
in Hungarian 4 Feb 92 p 4*

[Interview with Prof. Istvan Hegedus by Judit O-Varga; place and date not given: "Employees Are Not Protected by the New Code"]

[Text] The proposed new Labor Code is scheduled to come before parliament this week. We have asked Prof. Istvan Hegedus whether this new code of labor laws will put us in closer touch with the rest of Europe.

[O-Varga] Mr. Hegedus, what changes will the draft law currently before parliament mean for workers?

[Hegedus] Unfortunately, policymakers in Hungary have also made up their minds not to allow the employees to have a say in the employer's business. At the same time, if we look at the German Krupp firm, for example, we find that there it is completely inconceivable for the company even to sell a noteworthy percentage of its shares without informing the trade unions. Only 50 percent of the oversight committee running that enterprise is made up of the owners of the means of production; the other half consists of representatives of the proprietors of labor, i.e., the workers. It is this oversight committee that appoints the board of directors. Paragraph 65 of the draft labor law talks about the right of factory councils to confer and inform. As far as the decisionmaking authority of that body is concerned, however, it only extends to issues that are social in nature, matters pertaining to the lunch allowance, sports opportunities and relief assistance.

[O-Varga] How does the factory council function within its original medium after having been remodeled to reflect the German example?

[Hegedus] Even the so-called social issues have a fundamentally different definition in Germany, as they include everything that pertains to working conditions: German factory councils have decisionmaking rights in such matters as the setting of working hours, determination of bonuses, factory discipline, vacation time, and temporary cutbacks in working hours. They have a say in decisions concerning the location and time of salary payments; moreover, the owner must consult with the members of the factory council before introducing new technologies that might impact on the established production norms. Even the setting of wage scales must be discussed with that body.

In addition, representatives of the worker collectives also have a say in the implementation and planning of general regulations pertaining to personal matters, and can even intervene in individual personal matters

(involving hiring, firing, and transfers). The Hungarian draft proposal does not address such issues at all. It leaves the employer in a position of authority, and labor relations open to subjectivity, thereby increasing the vulnerability of the employee. When it comes to layoffs it is not at all the same whether the decision to hand out pink slips must also be explained to the factory council, or the employer can simply put people on the street at his discretion.

[O-Varga] The authors of the law also intend to give a bigger role to collective bargaining, which they see as the primary means whereby employees will be able to strengthen their positions. Given the divided state of our unions, do you see a realistic chance for strong collective agreements to materialize?

[Hegedus] I am afraid that far too much emphasis will be placed on haggling over the interests and rights of enterprise employees, as the laws will, for all intents and purposes, shift the responsibility of normative regulation over to opposing sides engaged in collective bargaining. At the same time, according to the existing regulations, the trade unions have few means at their disposal, other than going on strike, to protect employee interests. To stay with the German example: in the course of historical development, there the center of trade union activity has moved outside the enterprise arena to the "supraenterprise" level of ratification and into the realm of politics,

precisely in order to try, as much as possible, to defuse conflicts at the work place. The reason why factory councils have come into existence under these new circumstances is to use their real decisionmaking authority to help assert employee rights within the factories and enterprises.

If collective bargaining should fail to correct the shortcomings of some of the provisions in this draft law, this will definitely increase the vulnerability of employees. The system of regulations governing extraordinary dismissals, in my opinion, is outrageous. For according to the text of the law, the employer is allowed to weigh such factors as "willful and grave" negligence, and "gross" breach of duty. Only the courts are competent to make these kinds of determinations and judgements! And if this is not enough the law also gives the employer the right to summarily dismiss an employee if his "general conduct is such that it makes his continued employment impossible." Now there is a real catch-all provision for you! On the same subject, German law stipulates that the employer can only resort to extraordinary dismissals if he can show that following regular termination procedures is not feasible. Naturally all such decisions must be explained before the factory council.

These are only selected excerpts, but they reflect the kind of politically inspired legal views that permeate this draft law.

POLAND

Forthcoming Budget Reduction Reported

AU1203100592 Warsaw ZYCIE WARSZAWY in Polish
9 Mar 92 p 1

[Article by H.L.: "The Government Is Seeking Economic Measures"]

[Text] The draft budget for this year is to be ready by 23 March, but the government is still looking for ways to reduce budget spending so that the budget deficit does not exceed 5 percent of the national income, in other words about 65 billion zlotys [Z]. The budget shortfall is estimated to be Z28 trillion. The savings will apply to education, health, and social security.

Planned budget income is meant to be Z334 trillion, and expenditures should close at about Z400 trillion. Such a budget will still permit the country to discharge its obligations, including the repayment of foreign debts. Inflation is envisaged at 42.6 percent, and the average dollar rate of exchange is meant to equal Z14,753 at the end of the year. An economical budget like this is supposed to prevent hyperinflation and permit a rise in production and productivity. Exports are to grow by 3 percent, and imports by 2.5 percent.

The difficult budget situation is also the result of rising social spending and the deteriorating relationship between the number of people employed in the production sphere and the number employed in the budget sphere (2.2 million people in this category), as well as the increased number of pensioners, unemployed people, and people drawing social benefits.

As far as the budget sphere is concerned (total budget spending on this sphere will be Z224.5 trillion), most of the money allocated to this sphere will go on the health service (Z47.7 trillion), and education (Z32.3 trillion). However, there will be considerable personnel cuts in this sphere. Among the measures foreseen are an increase in obligatory working hours for teachers, personnel cuts in the health service, the closure or merger of some health service facilities, and changes to the rules concerning payments for medicines.

There are to be no pay raises in the budget sphere this year.

On the other hand, greater spending than last year is envisaged for the judiciary, state administration, and public security. Employees in central administration are to receive higher wages in order to attract the best experts.

Pensions are to be increased every quarter, but not necessarily in line with pay raises in the production sphere.

Family and sickness benefits are to change drastically. Family benefits would no longer be payable to every family with children, but only to those families on the lowest incomes, and with an upper age limit for eligibility.

The Sejm has already granted preliminary approval to cuts in health benefits. For the first 35 days of illness, benefits will be paid by the employer, whether state or private. Until now, the Social Insurance Fund has paid all sickness benefits for people working for private employers. Given the rise in the number of private employers, this has been causing a serious strain on the budget.

Further savings are meant to be achieved by abolishing subsidies, including subsidies toward the cost of railway tickets (except second class). Subsidies toward the cost of coal are to be abolished on 1 April. Subsidies for housing cooperatives are to be cut by Z2.5 trillion, but subsidies toward the cost of central heating and cold water will be kept.

The tax on cars with an engine capacity above 1600 cc will go up, as well as license fees for casino operators and bearers of firearms.

A considerable portion of the tax previously levied on profits will henceforth be levied on consumer goods, including food and building materials, which means a greater burden on the consumer.

German Foundations Operating in Poland

92EP0236C Warsaw GAZETA PRZEMYSLOWA I HANDLOWA in Polish No 6, 9-16 Feb 92 p 5

[Article by (d): "German Foundations in Poland"]

[Text]

Konrad Adenauer Foundation

Ideologically related to the Christian-Democratic Union (CDU). Its basic purpose is advisory activity and assistance in implementing various economic and social endeavors. It has representatives in over 100 countries.

It opened its office in Poland in November 1989 as the first German foundation and the first representative in East-Central Europe. According to foundation chairman, eminent Christian-Democratic political scientist Dr. Bernhard Vogel, this decision was founded upon the position of former FRG Chancellor Konrad Adenauer that one of the more important political goals of Germany is to aspire to unite with Poland, just as France has united with Israel. In 1953, the FRG chancellor said, "Our aim will be to establish understanding, respect and sympathy between today's Germany and the Polish people so that real friendship may develop someday on this soil."

The foundation plans to implement this idea in Poland. It offers practical assistance to implement our economic reforms, it organizes seminars in which Polish and German theoreticians and practitioners in economic life take part and it initiates campaigns aimed at bringing together the young people of both countries.

The address of the representation in Warsaw is 56 Dabrowski Street.

The Friedrich Ebert Foundation

This is the oldest and largest political foundation in the FRG. It was established in 1925 through a bequest made by the first president of Germany, Friedrich Ebert.

Its tasks include fostering:

- Sociopolitical formation in the spirit of democracy.
- Understanding among peoples through cooperation.
- Support for the social, political, and economic development of Third World countries and for the process of change in the countries of Eastern Europe.
- Support for the young academic cadre through the awarding of stipends.

The foundation began cooperation with Polish institutions and with private persons directly following the signing of the pact on the normalization of Polish-German relations in 1970. Officially, however, it opened its Warsaw office in January 1990.

In its cooperation with Polish institutions, it organizes seminars and training sessions, it makes possible information-gathering trips abroad by Polish experts, it grants material assistance and it awards stipends.

According to the representatives of the foundation, all of these activities serve the primary purpose of cementing good neighborly cooperation between our countries.

The headquarters of the representation is located in Warsaw at Podwale Street II.

The Friedrich Naumann Foundation

The basic purpose of this foundation, which is associated with the Party of Free Democrats is to develop a political world view and to support democratic systems and organizations which oversee compliance with human rights and citizen's rights.

The permanent representation of the foundation in Warsaw has existed since 1 January 1991. It has defined its tasks in the following way: support for the democratization of political and social structures primarily at the local level and support for free-market economic changes. Seminars, academic conferences and information-gathering trips to the FRG for Polish scholars, students, managers and politicians are organized to implement these goals. In the near future academic stipends will be granted to the FRG for Polish students.

The address of the representation in Warsaw is 27 Nowy Swiat Street.

RMDSZ Leader Views Foreign Policy

*AU0903080992 Budapest UJ MAGYARORSZAG
in Hungarian 5 Mar '92 p 12*

[Interview with Geza Szocs, deputy chairman of the Democratic Union of Hungarians in Romania, RMDSZ; place and date not given: "Geza Szocs on the RMDSZ's Foreign Connections—Opening Toward the World Federation"]

[Text] We interviewed Geza Szocs on the foreign policy of the Democratic Union of Hungarians in Romania [RMDSZ—in Romanian UDMR]. Our starting point was the recent changes in the World Federation of Hungarians [MVSZ], which has assumed a new relationship with the RMDSZ.

[Szocs] Up to this date, the RMDSZ has not had close links with the MVSZ, in fact, it has rather obviously stayed away from it. Although some member organizations have approached the MVSZ, the RMDSZ, as a whole, has conducted a different policy. The reason might have been an exaggerated cautiousness that considered the various rumors.

The reelection of officers following the extraordinary general meeting in December made it obvious that the MVSZ was being reorganized and its policies changed. In my view, in this new situation, the RMDSZ should apply for MVSZ membership because this is the only expedient and sensible step. However, there is no clear answer yet because some people would vote for an early membership while others think that we should wait for such a decision until the congress.

[UJ MAGYARORSZAG] Does the RMDSZ give a bigger scope to unity or diversity in this relationship?

[Szocs] Unity and pluralism are interdependent; diversity would be excluded by uniformity. The RMDSZ is not a uniform but a united organization. In other words, we allow our collective members to join the MVSZ while, at the same time, we cannot disregard the fact that Hungarians in Romania have united interests and the RMDSZ is the uniting force of these interests.

[UJ MAGYARORSZAG] According to many opinions, by not joining the MVSZ, the RMDSZ suffered a handicap in its relations with the Hungarian minority organizations that are active in the MVSZ.

[Szocs] I do not feel much of this handicap because the most important minority organizations (Coexistence [of the CSFR] and the Democratic Union of Vojvodina Hungarians) did not have closer relations with the MVSZ. They followed the activities of the MVSZ with a quite noticeable reservation and a wait-and-see attitude, similar to the RMDSZ. At the same time, we discussed our problems with each other and stressed the need for a joint appearance in politics.

Out of the bigger organizations, only the Hungarians of Subcarpathia joined the MVSZ in a united way. The

others are much smaller organizations and we indeed have to improve relations with them.

[UJ MAGYARORSZAG] How could the RMDSZ's foreign policy become more effective and more organized?

[Szocs] This problem has a financial and an ideological aspect. On the one hand, the state does not help us even in the areas where it is its duty to do so, and this certainly has effects. For example, we found ourselves in a situation, along with the other opposition parties, where we did not receive any kind of support from the national budget at the local elections—this is rather an exceptional situation in the history of parliamentary democracies. Then how could we maintain an organized and well-functioning foreign representation when it costs a lot of money, in fact, foreign currency.

Maybe our foreign representation proved to be occasional and mainly based on personal contacts. I am thinking of Bishop Laszlo Tokes, honorary chairman of the RMDSZ, whose opinion is requested in many places. Our feedback was usually positive, in fact, many people returned reporting that more Hungarian participation was demanded at certain events. All this proves that, in principle, we fulfilled the expectations and our foreign policy options proved to be correct.

[UJ MAGYARORSZAG] An example is the recognition of the right to self-determination of Croatia and Slovenia in a statement published on 6 July 1991.

[Szocs] We must remind people that more than six month ago, the RMDSZ was the first political organization in the world to consider the independence of the two countries to be legal—even if our political importance is rather humble. At the same time, due to the aforementioned difficulties, our statement did not easily get to the interested parties. The facts, however, cannot be denied. Therefore, the RMDSZ should now welcome the change in the attitude of certain Western governments that allowed many of them to recognize the independence of these two countries. FS

FSN Needs More 'Party Discipline,' Says Stoica

92BA0546B Bucharest AZI in Romanian 18 Feb 92 p 3

[Interview with Ion Aurel Stoica, minister for relations with Parliament, by Flaviu Pietraru; place and date not given: "Natural Relations Between the Legislative and the Executive"]

[Text] [Pietraru] Mr. Minister, you took over your new position at the same time as the Stolojan government. Can you outline the balance sheet of your activities in the relatively short time since then?

[Stoica] That is, of course, relatively easy, because I can only describe these relations as normal. I think that I organized the work of my team of aides well and thus the situation has been developing naturally. I am referring to efficient communication and coordinating the objectives

of the legislative with those of the executive branch. There have, of course, been some failings, some "glitches," so to speak, but...what is perfect in this world?

[Pietraru] Have you in any way experienced the consequences of the tensions that marked your predecessor's relations with Parliament?

[Stoica] Not much. Personally, I already had good relations with many parliament members [MP's], based on admiration and respect, before I came into this position. Moreover, at the recommendation of my aides but also in keeping with my convictions, I decided that the relations with Parliament and with MP's will be harmonious relations of cooperation.

I decided that that was one of the objectives of my office. Why? Because, I confess, however much I tried, I did not find any objective difference of interests between the executive and the legislative over the reform period. Consequently, the emergence of the tensions you mentioned seemed to me to have been due to odd causes.

[Pietraru] To what extent do you think you have managed to improve the relations between the legislative and the executive?

[Stoica] I already answered this question.

Currently I think we have relations of cooperation based on promptness and effectiveness on the part of the executive, and understanding for the government's urgent and priority interests on the part of both houses....

[Pietraru] What do you think of the relations between the Front as the government party, and its parliamentary groups?

[Stoica] I think that here, too, there have been improvements. Anyway, the former rough spots have been softened, even if the differences of opinion and the confrontation of ideas have not lost their intensity....

[Pietraru] As executive chairman of the FSN [National Salvation Front], do you view the "dissidence" of some Front MP's regarding some of the government's views and actions as normal and acceptable?

[Stoica] What can I tell you? Some of the Front MP's have felt a need to disassociate themselves from certain actions and ideas of the Roman government. At times the manner and the tone in which they did it may not have been the most appropriate. In a genuine democracy can anything force you to do otherwise? Maybe. Maybe what is known as party discipline. In other words, that important something that the Front rather lacked and continues to lack.

[Pietraru] Do you have enough time to meet all the obligations and pressures involved in ensuring an ongoing dialogue between the government and Parliament?

[Stoica] Anyway, I do my best to meet my obligations in the time available. At times I feel overwhelmed, but I've noticed that whenever that happens, it is my fault. One of my faults is that I become too emotionally involved in everything I do.

[Pietraru] From your perspective, what should be done to improve this dialogue and make it smoother?

[Stoica] Oh, quite a few things. I cannot list here everything, nor have I put them in any order. Anyway, what seems urgent is the introduction of computers and data processing both in the government and Parliament, which would make the communication in both ways more efficient....

And finally, there is also the affective aspect of this communication, which needs to be greatly shaded. Both the members of the government and of Parliament are very busy people, and thus in a hurry. Which isn't too good....

[Pietraru] A last question: Is it difficult to be a minister without a ministry?

[Stoica] Yes. But even more difficult is to be a minister whose work has to rely on the work of other ministers whom he does not control. I am forced to be a *primus inter pares* [first among equals], but I am required to provide a different kind of work and sometimes I'm not sure that I do not insult my colleagues with my urgings and "suggestions." Anyway, thank you for the question, because it gave me an opportunity to publicly apologize to them for the way in which I sometimes treat them and to ask them to understand that I have no other recourse....

[Pietraru] Thank you and good luck.

Ethnic Hungarian Deputy Views Parliamentary Work

AU0803155392 Budapest MAGYAR NEMZET
in Hungarian 4 Mar 92 p 2

[Interview with Zoltan Hosszu, parliamentary representative of Arad County, by Erzsebet Toth in Bucharest; date not given: "We Should Emphasize the Common Interests Rather Than the Conflicts"]

[Text] For about one year, some 41 people have been representing the Hungarians in the Romanian Senate. In his office in the Senate, Zoltan Hosszu received me saying: "You can speak Hungarian here."

[Toth] You once said that it was necessary to participate in the parliament's work because today it is almost the only forum left where the issues affecting the Hungarian can be raised on their merits. According to the current practice—at least the way the television viewer can see it—your role is largely restricted to defense....

[Hosszu] This is only how it appears. The television broadcasts are selective and prefer to show these objections and clashes because they are seen as a political

show. These kinds of quarrels do not take up much of our time. We spend the rest of our time debating bills that the country needs. We are helped by the fact that we have been viewing the Hungarian television broadcasts for years and, as a result, we have more knowledge about the world than our colleagues living in other areas who heard about reforms, the market economy, bankruptcy law, and the stock market much later than us. We have seen a certain kind of ignorance even in the parliamentary group of the National Salvation Front [FSN] and among the representatives of the National Peasants Party. We are also fortunate that we have a higher proportion of lawyers among us. In the beginning, we were shouted down, but we always tried to be very well prepared in our contributions to the given issues and gradually managed to reach the point that quite a few people pay attention to us now. We voted against the law on land because it did not correspond to our ideas, but we managed to achieve, for example, that land is also to be returned to churches. They, of course, are thinking in terms of five hectares. We should not also forget that the churches ran schools, convents, hospitals, and charity homes. Even if only the schools were returned to them, the schooling problems of the national minorities would be solved. We hope that the law on churches will soon be passed and these issues can gradually be settled then. Although, I am skeptical on this matter because in the current parliament where the FSN deputies are in the majority, the opposition cannot carry through the return of the church property.

[Toth] The changed map of the world and Romania's worse and Hungary's relatively better image raise fears in this area—namely, fears of the possible consequences of all this.... This is why harassing the Hungarians counts as a patriotic deed, and many deputies give up their better judgment for this loyalty. This is the reality here.... Is this how you see it?

[Hosszu] We can also feel the advance of nationalism. I would put it this way, though, that this is the method of Balkan politics, and the low level of political culture is good for nationalistic manifestations. This might better describe what is happening here, even now, on the same issues. The West European value system is alien to Romanian society, which is no surprise after the many decades of suppression and being educated with false

ideas. However, if we want to be sensible politicians here, then we must find and emphasize the common interests, rather than the conflicts—for example, how to rise from the economic collapse or reduce corruption. We cannot hit our heads against a brick wall, either, and things cannot simply be demanded because that results in an automatic withdrawal. Instead, we keep trying to take small steps to see if we can find some open ears.

[Toth] The program of the Democratic Union of Hungarians in Romania contains some social-democratic approaches and some Christian democratic ideas, too. Lately, the Christian democratic wing appears to have come forward. Is it possible that the Romanians and Hungarians can come closer together and understand each other better on a Christian basis?

[Hosszu] This is only a dream just now. There are many atheists in Romania. Most people started to go to church after the revolution because this is the fashion now. Many people are dissatisfied with the orthodox clergy because it always served the rulers of the day. A polarization has started within the church. Young people want a change, at least a change of attitudes, but the older generation is still the majority. At the same time, the European-thinking orthodox bishop of Temesvar [Timisoara] was the first one to say that churches should be returned to the Greek Catholics. Religious education is allowed in schools now. It is possible that today's young people will grow up to be religious adults and then the importance of Christian democratic parties may increase in Romania.

[Toth] Do the Romanian and Hungarian deputies of Arad form common platforms? If the Romanians see that they can always rely on the Hungarians on economic issues, then they might also be more understanding on certain national minority issues....

[Hosszu] As a matter of fact, this is the task of the mayor's office and the prefect's office. Indeed, together we made an Arad mayor resign because he did not do anything. Romanians and Hungarians are equally interested in the future plans of the town—extending the airport and making it international, building a highway, and establishing a duty-free zone.

Bosnian Serb, Croat Leaders Meet in Austria

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[Article by Aleksa Crnjakovic: "Meeting of High-Ranking Serb and Croat Envoys in Austria: Tentative Unwrapping of Bosnia-Hercegovina Package"—first paragraph is VJESNIK introduction]

[Text] In Graz, Karadzic and Koljevic offered confederation of Bosnia-Hercegovina [B-H] to Tudjman's envoys as a way to partition the Republic, seasoning old ambitions with additional offers on territory and population.

At the request of the Serbian side, preliminary talks were held between Croats and Serbs on neutral ground as a sort of "political test run" for potential future political talks on resolving the Croatian-Serbian dispute, on the local but also on the global level. Most of the cards were laid out on the table, and the reported participants in the Austrian talks were Dr. Zvonimir Lerotic, Josip Manolic, Nikola Koljevic, and Radovan Karadzic. As has been the case in the past, the party who requested the meeting was also the first to "break it open."

The arrival of the peacekeeping forces, it is felt, cannot prejudice or directly influence the unraveling of the complex relations attendant in the complete disintegration of one state entity and the creation of another; rather, they can be only the peaceful framework within which talks will proceed in the political arena in order to find the most desirable formula for Bosnia-Hercegovina, which is seething, as well as for the traditional Croat-Serb dispute.

Serbian Proposals

The Serbian team arrived in Graz with its own proposal, which is based on the full confederalization of B-H, which would essentially mean the dismemberment of that republic. In that case, the part of B-H that has declared itself a Serbian republic would be able to freely join with whomever it wants—and everyone knows who that is: the newly created Yugoslav community, which wants to assume the mantle of continuity from the old one. Making Bosnia-Hercegovina independent would also allow the integration of the "Serbian Republic of Krajina" from Croatia into the Bosnian entity or, to put it more clearly, the annexation of Croatian occupied regions to the new entity. In this way, an integral western Serbian state would be created which would simply hook up with the Yugoslav community. Apparently the Serbian side is no longer hiding this goal from its adversarial negotiating partners.

Serbia is apparently putting forth maximalist demands, because through that sort of transaction it would receive, practically speaking, 60 to 65 percent of the territory of Bosnia-Hercegovina, as well as the entire occupied territory of Croatia. This would not solve all the problems, because the next in line after territory is population (in

whose name the political talks and wars are conducted). The Serbian side feels that not immediately, but in the near future, Croatian-Serbian negotiations should also include the question of an exchange of population. But in order to conduct business, one must not only take, but also give. What then is being offered to the Croats and Muslims? The Muslim and Croat lands within B-H would gain special political status. In practice, the confederalization of B-H would mean the creation of three states in the existing territory. There would be confederal ties between them—a free market and a customs union. Each of the state cantons would have its own money, which does not rule out the possibility of creating a joint clearing currency.

Ultimate Goal Is Known

It is in the context of this sort of political option, or rather of the Serbian political desires, that the upcoming Bosnia-Hercegovian referendum must be examined, which Belgrade apparently regards as a means for the majority population—Serbs and Croats, and if possible the Muslims as well—to agree to the idea of dismembering B-H.

If such a model is accepted, the Serbian side believes, then it would actually constitute the basis for finding an overall solution along the same lines. Thus, an agreement between Serb and Croats in B-H about B-H would be followed by an agreement between Croats and Serbs in general. If agreement is possible between the HDZ [Croatian Democratic Community] and the SDS [Serbian Democratic Party] in B-H, then it is also possible for an agreement to be reached, and thus for the most acceptable model to be found, between Croatia and Serbia, the Serbian side assumes. And achieving an overall agreement would mean for Serbia the survival of Yugoslavia, comprising the nations who want this. It is quite certain that the Serbian side wants to peacefully "push" Croatia into negotiations on borders, given the fact that this is not possible through force, nor would the world approve of such a thing.

What would Croatia get in return? Serbia would magnanimously recognize its state, obviously without the occupied areas. Moreover, it would willingly "relinquish" to it the Croatian part of the territory around Obrovac, which is currently occupied by Serbia. That area is of immeasurable importance to Croatia in terms of trade. How would this idea be executed in practice? The Serbian side says that it is willing to make the following concession: Serbs from Obrovac could settle in Konavle, and Croats from Konavle could settle in Obrovac! In this way, the problem of Prevlaka would be solved in one fell swoop! Dubrovnik would remain a Croatian city, the Serbian politicians offer magnanimously. This is basically what the model for exchanging population and exchanging territory would look like "in miniature."

"Surveying the terrain" in the preliminary talks, the Croatian side too said what it wants, using minimal

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demands as its starting point. What lies below this minimum is not being discussed even on a preliminary basis. As a basic condition for initiating serious talks, Croatia has put forth the demand that Serbia and Montenegro accept the Hague Convention on the nonmodification of borders. The second demand is that Serbia accept, or rather recognize the international recognition of Croatia, and the third is that Serbia accept the special status of the 11 opstinas in Croatia in which Serbs constitute a majority, especially since the Serbian side has accepted this solution through its official letter to the chairman of the EC Commission for Human Rights and National Minorities of 15 January of this year.

Croatian Conditions

The Croatian side has also taken a stand on a future political solution for B-H. The starting point for talks consists of two conditions: respect for the integrity and independence of B-H, and a combined confederal-federal model for setting up the state. In this way, the Serbian side would be given the opportunity to desist from aggression, to conform institutions to democratic principles, for the army to reconcile itself with an understanding between the three nations, and for Serbia, as a sign of good will, to release all Croatian prisoners of war from 48 camps, from Knin to Nis, which is the most important condition for the Croatian side right now.

It is not possible to draw far-reaching conclusions from such superficial facts, all the more so since these are merely basic standpoints. Only later would there come precise and firm political positions and demands that would resolve the Yugoslav political crisis, which has arisen because of the numerous problems caused by the long chain of disputes in Serbo-Croatian relations. But even these facts, about which we have insufficient information, provide an indication of the degree to which the stances are irreconcilable and of how laborious the job of "reconciliation" will be.

Pandora's Box

Pandora's box has apparently been opened up at the Austrian talks. Among other things, the sending in of "blue helmets" was discussed, and the Serbian side once again repeated its rigid position that they must remain in the crisis regions for more than 20 years. This is obviously unacceptable to Croatia. Moreover, Mr. Boutros Ghali is on its side, having taken a very clear stance in his statement concerning authorities and time limits. Specifically, the authorities of the civilian mission of the peacekeeping forces would have to assume control and authority over the political, administrative, information-related, and other areas of civilian government for one year. At the same time, a very careful reading must be given to the statement by Lord Carrington, who says that his mission will last for between six months and one year. During that time, unresolved issues within the former Yugoslavia would have to be resolved, especially the problem of B-H. One can discern from his statement that the peacekeeping forces should stay for as short a

time as possible, and that special status should be given to the Croatian crisis area within the framework of establishing Croatian sovereignty throughout the state's entire territory. The role of the peacekeeping forces would then be assumed by observer groups, which would maintain the balance between autonomy and republican sovereignty.

Tudjman on 'Spiritual' Renewal of Croatia

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[Interview with Dr. Franjo Tudjman, president of the Republic of Croatia, by Jagoda Martincevic in Zagreb; date not given: "Croatia Faces the Spirit"]

[Text] The interview with Dr. Franjo Tudjman, president of the Republic, was scheduled in the early evening. The VJESNIK reporter was given a limit of 60 minutes. More than that would not be possible, she was nicely told by the woman who is the president's public relations adviser. The meeting, however, lasted much, much longer, to the general surprise of those who work with the president. When we left the villa "Zagorje," it was late, but in the yard we met those who had appointments. You have broken all the records, was the mild reproach of the president's secretary.

[Martincevic] Since you have become president of the Republic of Croatia, it seems to me that you have not spoken in public about culture as a special segment of life that is significant both in wartime and peacetime. It is obvious that a large portion of this war imposed on Croatia is being waged in order to obliterate the cultural legacy and thereby its historical continuity as well. How important is that part of Croatian identity in the European criteria and categorization of the mental makeup which we refer to as civilization?

[Tudjman] All those who could not reconcile themselves to any Croatian cause knew at what they should aim. Precisely that Croatian cultural identity. For that matter, if you want to overcome and rule someone, you must first kill his perception of himself.

For more than a century and a half now we have directly confronted the negation of any Croatism, the negation of Catholicism, and what we have encountered after coming upon this evil. This has been evident in this war to almost unimaginable proportions. The more this war against Croatia has been aimed at precisely those essential features of Croatism, and that means its cultural identity and historical characteristics, the more that cultural identity has proved itself to be an invincible and integral part of self-determination. And indeed of victory.

[Martincevic] Spiritual renewal is certainly one of the first tasks of the young Croatian state. Do you think that the intelligentsia is that agent of a people's consciousness which by its meditation must continue the tradition, that is, follow the contemporary world's lines of civilization?

[Tudjman] Certainly. That is what the intelligentsia has always been, and it still is. Although there are problems on Croatian soil, a negative tradition of a portion of its intelligentsia, and that is that intelligentsia which from biblical times up to the present has been referred to as the Pharisees.

On Croatian soil, because we have not had independence, a portion of that intelligentsia has necessarily been in the service of those who ruled Croatia, and it could not have been otherwise. It is that that gave rise to the idea of a segment of the intelligentsia being "corrupt," an idea that persisted from Starcevic and then Radic and in a way right up to the Communists. If they did not actually say so, they had a negative attitude toward the intelligentsia. Starcevic, incidentally, never had doubts about Croatia for a moment, and it was not because of the people that he turned gray in a single night, but precisely because of the intelligentsia that was around him. It is clear what can authentically be referred to as the intelligentsia—those who are the carriers of the national spirit and self-determination. It is on that basis, insofar as they managed to become independent in the human community, and they were able to do so on the basis of culture and to the extent that they asserted themselves in the international community, that is how some peoples have been able to survive.

Very early, I came to the conclusion that one of the causes of the evil spirit of Croatian reality, such as it has been, is precisely that intelligentsia that has been separated from the people, at the service of others, and therefore in conflict with those political forces, currents, and parties which aspired to national sovereignty. The bureaucratic intelligentsia in Starcevic's time remained separated from the people, although it is true that he managed to win over a major portion of the intelligentsia that had come from the Croatian nobility and bourgeoisie. And then you have Radic's national movement, which carried that intellectual segment of Starcevic's Croatism over to harmony of the people and was left without an intelligentsia. Then the Communists came, and they entered into conflict with the entire intelligentsia.

Carrying that awareness within myself and in my personal preoccupations, and insofar as I could in the HDZ [Croatian Democratic Community], I have been making an effort in the new Croatian government for us to avoid that conflict, and that accounts for my idea against any revanchism. In the end, after all, revanchism could also turn against the intelligentsia that in one way or another sided with the Communists. That is, since 1941 and the NDH [Independent State of Croatia] they all settled accounts with the intelligentsia, including times when there were good reasons, but again this was done unreasonably, because this cut back the intellectual forces, intellectual sources, and so on.

I have made an effort for us to surmount all those troubles of the past and create conditions under which the intelligentsia can normally have its function in the

people. But there is a very interesting thing. I think you will agree that in this time we have experienced a kind of national rebirth, indeed a stronger one than in the last century. It is very interesting in this connection that that rebirth has embraced all classes and all intellectual strata, beginning with the intelligentsia in the natural sciences and going all the way to the intelligentsia in the humanities. Intellectual circles in the natural sciences were indeed more strongly involved in that national rebirth.

[Martincevic] In the war being waged against Croatia, the intelligentsia has played a significant role on the Croatian side, but also on the side of the aggressor. The originators of the Serbian policy of aggression are actually intellectuals and members of the academy who even wrote their own program, the so-called Memorandum. Croatian intellectuals mostly responded in a dignified manner. Some are at the front, others are writing, making speeches, helping in various ways. Nevertheless, in some places one also hears the thesis that the Croatian intelligentsia is silent today. How do you interpret that?

[Tudjman] That portion of the intelligentsia which I referred to at the beginning as the Pharisees is maintaining silence. That is the segment of the intelligentsia that carries a certain historical legacy to the effect that the Croats did not have their state, that they were at the service of others and did not have the belief to bring that about. But the physicians, say, they organized themselves, no one asked them to do it. And then the technical intelligentsia. People wrote their own drafts and organized the production of weapons on their own. Even among the intelligentsia in the humanities there have been people who have been involved—Ivan Aralica, for example, wrote what he wrote as though he were with me every day, and I have not seen him a single time these past two years. Here is another good example. I was asked who is Professor Ilic, who went to be ambassador to Germany? This is a professor who became involved in the defense of Croatia, who was ready to find time for the homeland even though he was dean of a school at the university. Is this the intelligentsia? Of course it is.

However, there are those who do not have faith in themselves, in their people, or those who have sold their soul in the service of others and are working to overthrow Croatia and Tudjman.

[Martincevic] The century-old Croatian aspiration for independence has finally been brought about today. It is interesting, however, that the Yugoslav idea originated with the Croats, from Krizanic to Strossmayer, and then on to Trumbic and Supilo, and is older than the Yugoslav state. Its first advocates, then, were Croatian cultural leaders. But today that idea is negated precisely by culture. Rightfully so. After all, as soon as that idea went from the cultural sphere to politics, it was compromised. How do you interpret this phenomenon as a historian?

[Tudjman] Quite simply. Every idea, including that Yugoslav idea on this soil, was first the Pan-Slav idea of

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Krizanic's period, then Austro-Slav, and then South Slav, was caused by the position of the Croatian people. It was supposed, first of all, to save us from Germanism, then Italian imperialism, Hungarian imperialism, and, in the Austro-Slav period even from Russian Pan-Slavism.

In the time of the disintegration of the Hapsburg Monarchy, following World War I, it was not just Trumbic and Supilo, but almost the entire Croatian intelligentsia favoring unification with Serbia and simply obsessed with Yugoslavism. And not only artists like Mestrovic, Kljakovic, Mile Budak, Tino Ujevic, and so on, in the period of the first war they were all obsessed with the need for unification with Serbia, which in fact had its justification. After all, unification with Serbia saved the Croatian lands from further splintering and enslavement. Had unification with Serbia not occurred, the Western allies would actually have used Croatia in payment to Italy and Serbia, because Dalmatia would have gone to Italy and Serbia would probably have gotten everything that today it has wanted to conquer.

After the war, the Yugoslav idea went even so far as acceptance of Skerlic's idea of a single language—the Serbs would adopt the Latin alphabet, and the Croats would adopt the ekavian dialect! Krleza, Cesarec, and Krklec began to write in ekavian, but they very quickly sobered up because in reality they faced a fact which more and more they were forced to own up to. And that is that similarity in language does not count for much alongside the fact that the Serbs and Croats are not only two different ethnic individualities, but even belong to different civilizations. It is on that fact that all those Yugoslav illusions fell apart.

Tito with his communist utopia in the name of socialist internationalism and class unity thought that he would overcome that. However, the utopia, which in itself was communist, proved to be unrealistic when it came up against that fact. And here on this soil that reality of two different civilizations has become still more manifest. Unfortunately, many have not realized that. The Croatian segment of the communist movement was the one that realized that nothing could come of that movement unless the ethnic problems were understood. Unless the communist movement put itself on the side of self-determination of the Croatian people.

That is what gave the communist movement the possibility of playing a serious role, because if it had not been for that, the destiny of the Croatian people would have been terrible. After the war, we could not have avoided the things that the Chetniks, and they were on the side of the victorious forces, prepared for us because of the NDH. And regardless of the experiences of history, Croatia's Communists were still looking for solutions within the Yugoslav framework. Indeed, even the reformers, who in the end played a constructive role by committing themselves to democratic elections. Ante Markovic is not the last offshoot of that kind of thinking. He is only the most expressive. And there are still

remnants of that conception. But on the whole we can say that we have always overcome that open sore in the Croatian ethnic being.

[Martincevic] In certain decisive times for the Croatian people in the recent past, the intelligentsia has carried a heavy burden of political violence. Communism proved to be an obvious enemy of culture, and many consequences have remained. In the Croatian Assembly, declarations were recently adopted concerning Stepinac and Hebrang as victims of that political system. Perhaps that initiative should have been taken even further, to the victims in 1971?

[Tudjman] When the idea occurred that Stepinac should be rehabilitated, I said: Then include Hebrang at the same time, precisely so that these problems are put on the same footing. But as to going further, the question is where to stop? Then it would have to be done for all the victims, beginning with the old Yugoslavia, the NDH, the time following World War II, and so on. If you rehabilitate everyone, you will get into a problem which will be hard to get out of.

[Martincevic] The public knows almost nothing about your friendship and, in general, your relations with Krleza. Immediately before he died, when he was asked why he came out for you, he answered: "Tudjman has Zagorje blood and my nature...." Would you say something about that?

[Tudjman] I was not aware of that sentence, but here is something about our relationship. After I came back to Zagreb in 1961, Sibl wrote about that in his third volume of the diary, Krleza said that a circle of Croatian intellectuals had formed around me, both leftwing and those others, which Bakaric and the official politics perceived as though I were creating some parallel political center. I took off my general's insignia and fled from politics, but I wanted to initiate something in the intellectual field. Krleza said at the time: "Tudjman, until you came back to Zagreb, there were not three Croats who would meet to talk about Croatian problems."

That was dangerous the way Bakaric played politics. After all, Krleza could go directly to Tito, but I could not. But Tito knew that I was in conflict with the circles that represented Serbian expansionism and centralistic hegemony, and at that time they were even after him. Bakaric and Krleza could not stand one another, and Bakaric was unable to assemble any intellectual circle, because he surrounded himself with mediocrities. Krleza was the one who in the last 10 years insisted on our personal friendship, which came about because of certain intellectual affinities and probably also affinities of character. And quite often there were also family gatherings.

We had different friends, but in this case they fit together, so that Krleza and Bela got along well with my wife and me. There was a 30-year difference between him and me. At that time, I was still a man more interested in practical activities, and he was a man who knew that the world, as he conceived it, could not be

changed. I think that in those approaches of mine to Croatian problems, but also other problems as well, he in a way found his own youth or perhaps his own generation.

That is why the situation in that Krlezian circle was that I, by my nature, was the one to take issue with him, while the others in what was in fact called Krleza's circle of patriarchies more or less felt that he could not and should not be opposed. He liked me in his way, and he put a value on those discussions of mine.

When in 1962 we started FORUM together, he was publishing at that time installments of his *Zastave* (*Flags*), and I had begun historical discussions of Croatia within the framework of Yugoslavia. It was something of a sensation. The late Ljubo Babic asked Krleza: "Where did you ever find him?"

That friendship lasted right up until the moment when they wrote me off once and for all. And after that it cooled off a bit. He was with me in March 1963 when Bakaric attacked me for nationalism.

Krleza was a complicated personality. In the intellectual sense, he had a revolutionary spirit, but in practice he was a bit of a legitimist. He knew that when all the ideals of the revolution are realized, they turn out to be the opposite of what had been thought, and he did not believe in the possibility of saving the Croatian cause. However, I had long since realized that we should return to the Croatian cause in the Starcevian sense. Actually, Krleza remained desperate in his way right up to the last moment. He was the most radical Croat, but at the same time he also thought that a great nation could be created by an intelligent policy from what he referred to as that molasses, that South Slav molasses. He did not realize the difference in civilization.

He failed to realize it, because he always had a few Serbs around him who were Europeans. Finally, it is a fact that he accepted the creation of the Yugoslav Encyclopedia, that was also an attempt at unification. I, however, had realized that that was a futile business. He had been expelled from the Central Committee, but he remained a personal friend of Tito and director of the Lexicography Institution, while I was not able to stay on even at the university, much less the institute. That is the point when our friendship cooled off.

When they arrested me in 1972, I did not appeal to him, and one day he went to see my wife, he asked what had happened, he asked to see the indictment, he called the lawyer, and finally went to Tito and explained the case to him, but Tito literally told him: "No intrigue against Tudjman." And thus instead of long years in prison, I remained alive, which on the basis of the indictment for espionage I probably would not have. They sentenced me to two years, they reduced the year to one year, and I had another three months to serve because I had been in custody nine months during the investigation. I went to Krleza to say good-bye before Lepoglava, and he said: Don't go. Submit some medical document, anything.

They want to prove their power and strength to everyone, they are out to get everyone, including Josip Broz. After that, I rarely saw him right up until his death.

[Martincevic] Let us return to the present day. The question of the criterion for establishment of the judicial system is one of the first that is asked by any modern democratic country. In our case, it seems, it still has not come up. From the criteria of political culture which first of all presuppose tolerance of dialogue all the way to standards that would take us away from national mythomania. How do you see this problem? Does it not seem to you that some people even conceive democracy distortedly?

[Tudjman] Absolutely. For one thing, because they have not realized what it means to build a state. And that is exactly what a segment of the intelligentsia is involved in. It is involved with and preoccupied, burdened, with the authority of the president of the Republic. Perhaps someone like Carter sold peanuts, but when he became the President of the United States, then that meant authority. And here it has been a question of whether Croatia will survive. No one believed that we could do this.

Under these particular circumstances, people have emerged who do not know what it means to create a state. And they began, for example, to raise a hullabaloo when we created the Guards, they attacked the honor guard in front of Banski Dvori, or the review in the stadium in Kranicevic Street. But they did not realize what it means to build your own state. Every family wants to have its own home, but you cannot undertake to build a house by negating the legality of the foundation, the walls, the chimney, and so on. There is not a single institution, then, neither family nor any other, without some kind of order. Much less a state! Let them take a look at the religious customs of the church whether that can be done otherwise when in a consecration the bishop prostrates himself before those who are consecrating him. From the anthill to the flock of birds, everything has its own particular order.

[Martincevic] You mentioned the church. It is one of the foundations of the spirituality of any people. Nevertheless, there are those who object, saying that the church and politics work too closely together.

[Tudjman] Had we not been successful in harmonizing the political program with the role that the church has in our people, we would not have been able to win in view of everything that was stacked up against us. But we are not aiming at any kind of clericalization of the state. If we wanted, and we have been successful, to achieve a general national rebirth, and that in all classes, from the peasants to the workers, to the remnants of the nobility, including that intelligentsia about which we have spoken, we had to do that.

Every day I receive many letters from the oldest to the youngest, and I can say that something has awakened in people even in view of the circumstances we are in.

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Objections that the church is identified too much with the government or the other way about, that means a failure to understand the problems of how we could arrive at our independence and how we can survive in general.

[Martincevic] Is there a danger in the spiritual sense from populism as a political-spiritual matrix? There have been reproaches as to an excessively populist syndrome. What do you say to those objections?

[Tudjman] What kind of rhetoric is that? That is rhetoric from the mouths of those who have not drawn any conclusions whatsoever from history in general nor from the history of the Croatian people. What does populist mean? If we had not had the HDZ as it is, then we would not have had Croatia either.

[Martincevic] In times of spiritual and cultural renewal, which will come in full force only with the definitive end of the war, the upcoming young generation will also be looking for its place. Will it find it?

[Tudjman] It will. Why wouldn't it? One of the reasons we are creating Croatia is that future generations will not have to go out into the world and will be able to display all their creative efforts here. There is no doubt whatsoever that we will create Croatia as the kind of country that can only be imagined. Why not? Why should our people lag behind the Slovenes, Austrians, or Swiss? In what respect? We have to create the opportunities so they can do with less effort in their own country what they do in the outside world. When I went abroad, I saw how many people have been forced to leave Croatia, and I saw how much those people believe in Croatia's resurrection.

We need only recall what it meant two years ago when they took away our flag. One of the most difficult decisions was whether to go to the First Assembly of the HDZ on 24 February 1990? There was the possibility of our being arrested, but there was also the judgment that they would not dare. Even then, we forced our way into the "Lisinski" Hall. From that moment, when the flags were unfurled in Zagreb for the first time, to the moment when we had Croatian Radio and Croatian Television, how many tears of joy there were, but there was a certain amount of disbelief. You asked me about the young generation. We are waging this war. We have good reason to wage it.

[Martincevic] You mentioned Croatian Radio-TV. There are objections that the Radio and Television and the mass media in general are not open enough.

[Tudjman] I do not have that much time to follow them, because my workday lasts until 0200 hours. But I know that they are speaking both against the government and against Tudjman. What do they actually want? Democracy is not anarchy. What is the point of elections, then? When some other party comes to power in some other country, it is taken for granted that the director of the television will be removed. They say that we should

adopt laws by consensus. Somewhere it has been written and stated in meetings of the opposition parties that we should appoint ambassadors by consensus. They are protesting the presidential or semipresidential system. Let them look at the trends in the world. Aside from that, you tell me whether any symphony was ever written collectively, or perhaps any novel. So, that is what I think about objections to the media not being open enough.

[Martincevic] You are a frequent guest at various cultural events, some of them even not required by protocol. I believe readers would like to hear something about the president's personal inclinations as to painting, music, and books.

[Tudjman] The first thing I bought after the war was a picture. I had come to Belgrade from Zagreb, and then I paid a general's salary for Ljubo Babic's picture "Peaches," one of his best pictures. And the first money I earned as a child of 10 was when I sketched Radic for my aunt. Accordingly, my affinities toward painting date from very far back. I have my own family collection, part of which I bought and part of which I have received from friends. Both in Belgrade and in Zagreb.

[Martincevic] I have heard that you did not want to part with Babic's "Peaches" even in the days when your family's financial situation was very difficult.

[Tudjman] That is a picture that was shown in Babic's retrospective, and at that time an engineer or doctor, I do not know exactly, came and said that he would pay whatever I asked for that picture. My answer to him was this: You know, dear sir, you have heard that things are not going well with me. But if I do have to sell my pictures, then this one will be the last, because I bought it first.

[Martincevic] Do you get to read? What was the last thing you read?

[Tudjman] We have several books on the night table. Some in foreign languages. But right now I am reading Aralica. But the worst thing, believe me, is that I do not have time to write. I am probably the only man who managed to smuggle daily notes on my prison days in 1972, 1982, and 1984. Very few have managed that. I have two books in manuscript on the nationality question in Europe.

And then I like music. There was a time when I could not work without music. Without serious music. It created a wall between me and the outside world. Above all, I like Bach, and then Vivaldi, Sorkocevic, and also the violin concertos of Mendelssohn and Bruch.

[Martincevic] What do you think about present-day patriotic songs?

[Tudjman] Above all, they are an expression of the general national rebirth, and out of the multitude of those songs probably five or six will remain. I share the opinion of those who think that the song "God Save Croatia" could become the anthem if we did not already

have our Croatian anthem. Some songs will also remain because of the words, such as, for example, the one that speaks about the arrival of the Croats in these parts.

[Martincevic] You mentioned new manuscripts.

[Tudjman] I have two books in manuscript which will not be less interesting than *Bespuca* (*Wildernesses*). I have written not only about Croatian history, but about world history, and I did so in a way in which this has not been written about before, I would be so bold to say. After all, in the Bible everything has already been said about all human problems. Just as in the dramatic literature everything has been said in Shakespeare. But the world continues in its own way. And things are repeated. In essence, there is nothing new about man. The Jewish chosen people fought against the barbarians in the same way as Israel against the Palestinians. And when I think about the fate of the Jewish people both there and in the world at large, then I think that I can also understand the destiny of the Croatian people.

[Martincevic] Would you like to say something about Dubrovnik? Dubrovnik is a particular wound of the war against Croatia in every respect, especially from the cultural standpoint.

[Tudjman] Dubrovnik is one of the fundamental features of Croatian culture, but it has also established itself as a world cultural value, and that has made it special. When I was in Paris, Chirac said to me: "Tudjman, you are conducting a wise policy, but you have to admit that the Serbs are helping you with their stupidities." One such move on the part of Serbian policy is the attack on Dubrovnik. When they attacked Dubrovnik, the world shuddered. Dubrovnik should be saved, and in the renewal of Croatia we will have to devote particular care to Dubrovnik. Simply because we will have to build both that superb tourism of ours and the picture of the new Croatia on the preservation of Dubrovnik. In general, that is a problem of our cultural policy, how to preserve those historical values, but also to give them content.

The other day, VJESNIK published an article about Medvedgrad. People have been concerned with that for years. There are no documents whatsoever about what that medieval town looked like. We know about its foundations, but we do not know what its second and third stories looked like, and now people would be happy to use it for some kind of tavern, a restaurant serving grilled meat, and so on. Let us rebuild authentically, as far as we can, but let us do it the way they do it in the rest of the world, that gives it a new content.

My idea is for us to erect a monument to all those who have died for Croatia. Let the person who comes to Zagreb go there and he will automatically learn a part of history. And in this way we will also give content to Zagrebacka Gora (Zagreb Mountain).

But let me ask you something, now that we are talking about cultural content. What about cultural weeklies in Croatia? There is not a single satirical newspaper! Why

not? Perhaps one of the tasks of Matica Hrvatska would be to create a cultural weekly. Back then in the seventies HRVATSKI TJEDNIK was supposed to be and was a political newspaper. Today, I think that there is a need for a true cultural weekly. For instance, up to the end of World War II there were several European newspapers in every Zagreb coffeehouse. And now you do not even find domestic papers. The architects have managed to destroy the atmosphere of the "Theater Coffeehouse" and other coffeehouses. Both before and after the war we had satirical newspapers, and today we have hardly any. There are none in Zagreb. So, that would also be a task for us to restore that kind of content.

[Martincevic] In conclusion, would you frame the motto of the theme of spiritual renewal?

[Tudjman] I think that the Croatian unity that up to now the Croatian people has never had in the regional sense and spiritual-political sense has been achieved for the first time in its history. The essential thing here is for us to realize that we have survived by preserving our own autochthonous values, but also by being open to others. We must create a free and democratic society, but also a society in which there is responsibility for words and deeds, we must provide the opportunities and conditions for a creative flowering, but we must also respect legality: These are the things on which a state can survive. Many have not understood that, we need only remember that just a year and a half ago they were crying: They were wondering if they dared sing the anthem and fly the Croatian flag. It is because we have managed to draft such a program, to reconcile all the parties, that is why some people refer to what we have created as a populist movement.

Legal Status of Foreigners in Macedonia

92BA0533A Skopje NOVA MAKEDONIYA
in Macedonian 8 Feb 92 p 2

[Article by K. Changova: "Status of Foreigners in Macedonia"—first paragraph is NOVA MAKEDONIYA introduction]

[Text] The new proposal on passing a law on travel and residence by foreigners is based on the Constitution and international conventions. A variety of visas for different periods of time will be issued for people staying in the Republic. Special stipulations will govern those who seek asylum and refugees.

The status of foreigners in Macedonia and their freedoms, rights, and obligations are codified in a draft law on the travel and residence of foreigners, which is a set of laws on issues relative to the political system, to be submitted before the end of May. The new concept deals with establishing the status of foreigners in the Republic, in accordance with the Constitution, international conventions, and practices in the application of the law as governed by Federal regulations. The law is broadened in accordance with the trends of liberalization of the visa and passport system agreed upon internationally.

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An individual who is not a citizen of Macedonia is considered a foreigner. He may enter the Republic with a valid foreign travel documents or any other documents accepted in accordance with an international treaty or with a document for foreigners issued by the pertinent Republic authority, which includes an entry visa. A foreigner may also enter the country with a tourist pass issued at the state border control station of the Ministry of Internal affairs when crossing the border. It is also possible to enter Macedonia with an identity card or with any other identification document, as determined by the government. Depending on the purpose for which the foreigner will remain in the country, several types of visas may be issued: entry, exit, entry-exit, transit, journalist, business, tourist, student, official, or other, with different periods of validity, for one, several, or unlimited trips, depending on the nature of the visa. The visas will be issued by the diplomatic-consular missions of the Republic abroad, as well as by the Ministry of Foreign Affairs.

Conditions for Temporary Stay

A foreigner may remain in Macedonia for no more than three months without special permission. For the purpose of school training, specialization, establishing working relations, or getting married, a foreigner may be granted a residential visa for up to one year, and, if so requested, the period may be extended. The conditions for granting such a stay are met if a foreigner has remained continuously and legally in the Republic for justifiable reasons. However, the right to stay is not inviolable and may be rescinded if it is confirmed that a foreigner has disobeyed the laws of Macedonia and that his presence on the territory of the state is undesirable. The decision to refuse the right to stay also sets the date by which the foreigner must leave the Republic and the period of time for which he will be forbidden to reenter. Such times will be noted in his travel documents.

If a foreigner is unwilling to voluntarily leave the territory of the Republic after the expiration of the deadline for his legal stay, the authorized officials of the Ministry of Internal Affairs will take steps to ensure his forced removal. However, the law also includes a humanitarian stipulation according to which a person may not be returned to a country in which his life or human dignity may be endangered.

Taking into consideration the fact that the Macedonian Constitution guarantees the right of asylum to foreigners and stateless individuals who have been expelled because of their democratic political beliefs and actions, a right that is a universal legal institution in international law and is included in the Declaration on the Rights of Man, the proposed law on the travel and stay of foreigners includes the conditions for acquiring or losing the right to political asylum, and the settling, support, and protection of such individuals. The status of refugee may be granted to an individual who has left a country in order to avoid persecution for his progressive democratic political beliefs, or for his national, racial, or

religious affiliation.... This is based on the Convention on Refugee Status, which was ratified by Yugoslavia, and Macedonia has adopted in its constitutional law the rights and obligations assumed by Yugoslavia. Such individuals may be issued valid documents and a travel document for a refugee or a travel document for a stateless individual, which will be valid for one year, with the possibility of extending it for as many as five years. The issuance of such documents for refugees and stateless individuals is stipulated in international conventions, as well. At the request of a foreigner who is a permanent resident of Macedonia or a foreigner with a temporary residency permit, a document may be issued as proof of his identity—an identity card for a foreigner, of limited or permanent duration.

The Right To Carry Arms

Foreigners in Macedonia may have other rights, as well, guaranteed in this law—for example, acquiring, bearing, and keeping weapons (in accordance with the stipulations of the law), and wearing a uniform; foreigners must indicate their status, name, and address or place of residence. They must carry with them documents that can prove their identity and that must be presented if requested by authorized officials of the Ministry of Internal Affairs. The ministry must obey the stipulations of that law that call for the full registration of foreigners. Five stipulations in the draft law call for fines to be levied on enterprises, individuals, or foreigners who violate the law. Thus, for example, a fine of 5,000 to 25,000 dinars is levied if an enterprise or any other juridical person uses a foreigner's travel document for profit or personal benefit; a fine of 2,500 to 15,000 dinars is levied on individuals who do not declare the presence of a foreigner within the stipulated time; a fine of 1,000 to 2,500 dinars is levied on anyone who guides or helps a foreigner cross the state border outside the indicated border stations or without a proper travel document; a fine of 1,200 to 2,500 dinars is levied if a foreigner enters the country if he is subject to security rules, such as expulsion or removal from the territory of the Republic, or if he has been denied residency.

Visas

An entry, exit, or entry-exit visa may be issued for one, several, or unlimited trips; a transit visa may be issued for a single trip not to exceed five days as of the day the person has entered the country. All such visas remain valid for one year. A diplomatic visa is issued on a one-time basis, for a fixed period of time, until the individual has completed his diplomatic function. A foreigner who enters the Republic to work in the agency of a foreign state or international organization and who does not meet the conditions for the issuance of a diplomatic visa will be issued an official visa. Such visas will also be issued to foreigners who come as representatives of foreign countries or international organizations. Business visas are granted to foreigners who come

to Macedonia to engage in economic activities, as stipulated in the Republic laws in relation to foreign investments and foreign trade, as well as to individuals who are organizing working relations. Such visas are issued for unlimited numbers of trips. Visas issued to newsmen are for professional assignments and are based on accreditation; student visas are issued to foreigners who come to the country for training or specialization. For purposes of tourism or medical treatment, a tourist visa may be issued, and groups of foreigners may be issued a joint travel document similar to a tourist visa. Tourist and group tourist visas are valid for six months and give the foreigners the right to remain in the country for no more than three months.

Individuals to Whom No Visas Are Issued

One of the stipulations describes the reasons for which a foreigner may be refused entry into the Republic and, consequently, will not be granted a visa. Visas may not be issued to individuals subject to expulsion and to whom residency permits have been refused or who are registered as international criminals or about whom substantiated doubts exist concerning their intention to engage in terrorist or other criminal actions in the Republic, individuals whose stay would constitute a financial burden on the state, individuals who lack identity documents, or individuals who come from areas with communicable diseases and show no proof of vaccination.

The State Assumes the Upkeep of Refugees

In the case of stateless individuals whose refugee status has been recognized, such foreigners will be provided with residences, the means of support, and health care for the duration of their stays in the country or until they can support themselves. This period cannot exceed two years from the day of the recognition of refugee status. Such time restrictions do not apply to individuals who are unable to work or sustain themselves. The necessary funds for the upkeep of foreigners and stateless individuals with refugee status will be drawn on the Republic's budget.

Therefore, funds must be set aside in the Republic budget for the organization of reception areas for foreigners and for the permanent upkeep and health care of foreigners with recognized refugee status.

Rugova Interviewed on Options for Kosovo

AU2402081892 Pristina BUJKU in Albanian 13 Feb 92 pp 4-5

[Interview with Ibrahim Rugova, Kosovo Democratic Alliance (LDK) chairman, by Binak Kelmendi and Behxhet Haliti in Pristina on 6 February: "The Albanians Have Lived Through Difficult Political Winters"]

[Text] [BUJKU] Mr. Chairman, a rather general question to begin with: What is the present position of the Albanians in the Balkans and the world?

[Rugova] I have said before and will say again that the Albanians and the question of Kosovo are quite prominent in official diplomatic circles. They are present as a problem requiring a solution. I think that in Balkan terms it is more a question of various combinations of Balkan states, whereas the EEC and the United States, both of which are factors in making decisions about the Balkan states, see it as an issue and a problem.

As for public opinion, the question of the Albanians and Kosovo is, I believe, prominent in European and Western media in general, but we have now reached a second stage of the cause. One or two years ago, we were more prominent in the media, whereas now we are more strongly present in diplomatic state circles. Our cause has become familiar to all circles, to the conference at The Hague, the EEC, and the United Nations. We must be optimistic, but let me also say that we are in a very serious position, and one can see that people somehow want matters to move faster with, for instance, the recognition of Kosovo, a solution to the Albanian question, etc. However, we must not do things in this way, because our cause is advancing, and we must press it further forward. Matters cannot be solved today, we might say, with only one or two proposals. We have seen how we have asserted ourselves. We remember the initial period when we presented ourselves as individuals and as a political organization. We remember where we were then and see where we are today with the organization of the Albanians and the affirmation of the cause of the Albanians in what was once Yugoslavia. At one time, people did not know about us. We have advanced our cause to this point and must not stop now, but must press it further forward.

[BUJKU] Very high-flown statements by individuals and political parties have encouraged people's wish to see certain matters move faster. Should we have greater political realism both in our media and the work of the Albanian political parties in Kosovo?

[Rugova] We have all been gaining experience in this field. Perhaps we all thought that some matters would be solved faster on the basis of European and international relations, but we now see problems and difficulties on a general scale, especially in East Europe, while our specific cause, that of Kosovo, the Albanians in former Yugoslavia, and the Albanian cause in general, is understood as a very serious problem that requires a special approach. We should also realize that Albania is passing through a very painful process of democratic change and has economic difficulties. Albania could be an important factor helping to solve our problems. Despite its very difficult situation, Albania has done a great deal in the diplomatic sphere. I think that Albania will be able to do even more after the forthcoming changes.

We have done what we could with what we have.

We Still Talk More Than We Work

[BUJKU] Mr. Chairman, do you share the view that, in a way, the Albanians of Yugoslavia have done their

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utmost to promote their cause and that it depends now mainly on whether the communists in Albania will fall and the democrats will win. Do you think Serbia and Albania will talk about the future of the Albanians in former Yugoslavia?

[Rugova] Being aware of the situation, I think that we have achieved a lot, but not in any way all that we should. Questions of rank and protocol are important in diplomatic relations among states, but we have succeeded more or less in breaking through these. As for Albania, the changes that have taken place there in one year have advanced our cause more quickly and have led to an affirmation of our cause in foreign diplomatic circles and within Albania. This is now very clear in Albania itself. No doubt the coming of the opposition democrats to power in Albania will mark a qualitative change. By nature, as a democratic party, we are with the opposition, but we must nevertheless look at our former views. We cannot free ourselves once and for all from the old system, from the past, even though among us in Kosovo the League of Communists of Yugoslavia fell because of the national question and because our very existence was in question, and not simply because of ideology. We must realize that in Albania the struggle for power is normal and that we can no longer look at Albania solely as an ideal and as a darling that we will never remove from our hearts. We must look at Albania as a reality.

As for the question of whether Albania and Serbia will sit down to talk about us, I tell you that they will not be able to do so without us. Albania takes this into account, and we will not allow such a thing because today we are accepted as a factor, too. We are a factor here. Although we do not have any state legitimacy, we are present as a political factor and as a people, hence we cannot be ignored. Serbia wants to try everything, but neither Albania nor the EEC will accept such talks.

[BUJKU] Do you think that we are lagging behind somewhat as far as our propaganda in the world is concerned?

[Rugova] We have talked several times about our information and propaganda. Under present conditions, our newspapers have done what they can for good internal information, but we have not been properly organized to inform the world. Individuals, various groups, and political parties have done something. But now, since the formation of the Kosovo Government's Ministry of Information, information moves faster. The Kosovo Democratic Alliance's [LDK] Information Center regularly informs diplomatic and foreign circles.

This is linked to another question: Our academics should compile a small book. We talk more than we work. We have no more time to compile big books, but could produce brochures for propaganda purposes, with accurate and encyclopedic data. Foreigners, German journalists and others, have done more than we have, so we must be better organized in this direction.

[BUJKU] We know the three options for the solution to the Albanian question. Does the fact that only the Republic of Kosovo or union with Albania are mentioned mean that the claim for an Albanian state in Yugoslavia been forgotten?

[Rugova] The recognition of some Yugoslav republics is a sign that not even the internal borders will be changed. So, if the internal borders remain the same, we favor the first option of Kosovo becoming a republic and the Albanians of Macedonia having what they asked for in their referendum—political and territorial autonomy. Every other movement of borders, if the general framework of Yugoslavia remains the same, implies an Albanian republic. The other option is unity with Albania.

At present, we cannot say that everything concerning former Yugoslavia has been defined at a European and international level. We therefore ask for that today; tomorrow we will ask for what the times require.

[BUJKU] Nevertheless, there are views that one cannot present too many options to Europe, saying that if this one does not work, another one might, and so on.

[Rugova] We cannot go to Europe with a single impossible thesis. We must act in response to the current political and diplomatic situation and the balance of power. For example, mentioning a republic of Kosovo two years ago was anathema, but we created it. It was an even greater blasphemy to talk about unity with Albania. Today, we have insisted on these, and there is no negative reaction from diplomatic and state circles or from those who make decisions.

We have presented these options in The Hague. Other states have never appeared with only one option but have proceeded in a gradual way, developing and pressing their causes forward faster. Therefore, we must be as well prepared as possible to press matters forward and not abandon them. We must not be disappointed when one thing is done or another thing is not done, etc.

[BUJKU] Is there a danger that the Albanians in the Balkans, with the final disintegration of Yugoslavia and the creation of new international borders between the republics, will be divided into four or five parts instead of two as before?

[Rugova] We have borne this in mind as a political party. It is a fact that Macedonia, if it gains international borders tomorrow, will create its own army, 40 percent of which will be Albanian, and this will be a very great problem. In this context, if the borders between the republics do not change, the best solution would be the Republic of Kosovo and of course another Albanian state that would assist other Albanians. It is true that Europe and the United States say that the question of Kosovo is very serious.

Albania Has Done a Lot for Kosovo at an International Level

[BUJKU] What will be the course of preelection and election events in Albania?

[Rugova] Some preparations are being made in Albania. Of course, in the competition of groups and political parties, each party says that it will win, but the people's general mood is against the previous system. How much the opposition will know how to exploit this attitude is a question that I believe they take into account. I do not know whether the three or four strongest opposition political parties have merged, whether they will have a coalition or run separately, and for the moment, I cannot say which party will win. The Socialists, of course, are in power, and as you know, there have been no local elections in Albania. The parties combined among themselves, and perhaps this was a shortcoming of last elections, because a pluralist parliament can exert very little influence without local government. The National Stability Government that was created then really opened some prospects, so it won greater acceptance in the world accepted, and much work was done for Albania at an international level. There is a very strong international mood in favor of Albania.

Our wish is for the opposition to win, and perhaps this will be taken the wrong way in Albania, but the Socialist Party in Albania and the other parties must take a longer view of some questions. We must not become inflexible at decisive moments, moments where matters must move faster.

There Have Been Contacts, but No Dialogue With Serbia

[BUJKU] Some attempts at dialogue with Serbia were made. What is the Albanian attitude toward this dialogue?

[Rugova] I would say that these have been contacts rather than dialogue. It is very difficult to conduct dialogue with Serbia, but if a wish is expressed for contact we cannot refuse, because in the long run it is the European and international feeling that matters should be solved by means of dialogue. These contacts of ours with them do not mean that we accept Serbian rule, as the propaganda of the Belgrade press has it. We must therefore have things clear on this matter: We will not give way to them on anything. These contacts had to do with education. However, as far as political affairs are concerned, we have defined them—we have the referendum and our political stands, and we will behave only in accordance with them. Nobody, however much authority he has, will be able to sign negotiations or other harmful compromises to the detriment of Albanian question after the referendum we have had. We will not accept the trick of 1945. I am speaking about the more recent time, when we were told that the Assembly of Prizren had been embodied in an institutional form, and in fact, this was not the case. It was an assembly like that of 1989.

Today, there is a new quality both in the people and in the intellectual political structures. We, least of all, cannot go against the people's will, because then the world will not accept us at all.

The contact between the LDK and the Serbian Government last autumn was also only a contact and nothing more.

When NATO guests arrived, Serbia accused us of not wanting to talk with them. Well, we have also met with European officials. We have not asked to immediately conduct talks with Kohl, Genscher, Mitterrand, Bush and others, because this would not be serious.

[BUJKU] Is it possible for other political parties to contact Serbia, or can only the LDK do this?

[Rugova] As the largest political party, we in the LDK have a slightly greater legitimacy, but we cannot deny contact to other groups and political parties. For political affairs, we also have the Coordinating Council, and we have agreed on many questions there, especially political ones, which is why anyone who deviates from our well-known options does so at his own peril, a peril to which we ourselves are also liable. We must get used to such things. We must have a consensus on political matters.

This Is Not the Time of the League of Prizren

[BUJKU] What do you think about the National Assembly of Conciliation and Unification?

[Rugova] We have stated our opinion about this Assembly. This is quite right as an idea, and it makes no difference that it is intellectual groups, whether in Kosovo or in Albania, that have presented this idea. However, the political forces demand more change, and it will be easier to achieve national reconciliation if democratic processes run their proper course.

Let the gathering be held, why not? Every proposal moves both ideas and people, but our intellectuals must do something more. We can stand up now and say all day long that we will unite, but what we are doing about national unity and who is doing something specific about it are different questions.

Politics is movement, struggle, and action, and it is worthwhile. We are responsible, because when we speak about politics, both ideas and people move, and we must think much more in this direction. We should also speak as individuals and intellectuals and present ideas and proposals. If the National Assembly has this meaning and is held it will enrich the cause and the political and national idea. The political parties in Albania were averse to this assembly because it was said that the idea came from the Socialist Party and so on, but I think that the Democratic Party also accepted the idea of national reconciliation. The National Assembly has meaning at this level. We must understand that Albania is a complete state with all the structures of a state. We are

political parties, organizations that bear responsibility. The Assembly may take some stands, but realizing these stands belongs more to the Albanian state. This is not the time of League of Prizren [1878], when we had no Albanian state. Today, the organizational structures exist.

[BUJKU] Are you afraid, Mr. Chairman, of any ready-made political formula possibly coming from Europe to solve the Albanian question?

[Rugova] Look, everybody prepares his own formulas. When I say this, I am not thinking about those former superpowers. Various international organizations, such as the EC, the United Nations, and the Western countries make those formulas, but we can break these formulas, no matter what they offer.

Against the Federation With Serbia

[BUJKU] Have you ever thought about a federation with the Serbs as a possible option for solving the Albanian question that is in unofficial circulation?

[Rugova] No. We are against this federation. We have said this in public, too. If we have any outside pressure about a federation of this kind the people must declare again through a referendum whether they favor it or not. I personally would not sign such a federation agreement. This option, after what happened in Slovenia and Croatia, is a product of the Serbian opposition, which thinks that it can thereby preserve something of Greater Serbia.

[BUJKU] The emigration of Albanians has become almost phenomenal. Is there any specific program to prevent this?

[Rugova] It is a fact that there are greater movements of the population. It is fortunate that these movements are balanced. People go to their relatives in the West, to the workers who have helped us a lot. There are some who have gone there because of the Army, and there are others who have gone for economic reasons. In the circumstances of the war as they were, Albanian boys in the Army had to get away from it. They had to escape both mobilization and recruitment. It is the political parties' duty to prevent unreasonable and frivolous emigration.

[BUJKU] Is the profusion of Albanian parties abroad harmful? Would it be better for our workers there join a common, nonpolitical organization, say an emigrants' organization?

[Rugova] Even under the former system, there were the so-called workers' clubs abroad. They were directed from home, of course, through the federation. They primarily served a propaganda purpose, especially against the Albanians. The first debut of the LDK in 1990 awakened the political curiosity of our workers abroad for the Alliance and its program. Thus, a desire was born in them to have their own parties, like the

Croats and Slovenes before. We began to create branches of our party there. In the meantime, new parties have been founded and have created their own branches, too, especially the Party of Democratic Prosperity and later by the Christian Democratic Party. Now, after the formation of the Provisional Coalition Government, Albanian workers' clubs have begun to be founded on an even narrower basis. All these contribute to the cause in general. We can even try an emigrants' association, but we must bear in mind that in the West we have people homesick for their native soil and ready to make sacrifices for it. It does not do to spoil the organization that they have chosen to help us and themselves. In the long run, we have the experience of other states that have workers abroad. Meanwhile, it is very difficult to integrate them in a sole organization. It is difficult to achieve that here, let alone abroad. There are other reasons political groups are created for narrow interests or only to achieve leadership of some group. I think that the political organization of Albanians in the world is very important for our cause.

The Albanian Electorate Must Respect the Mood of the Kosovars

[BUJKU] What influence can Albanian political life in territories outside the Albanian state exert to enable the opposition to win?

[Rugova] The mood of Albanians on this side of the border and the influence of Albanian political parties here are important for the conduct and result of the elections in Albania. This mood should be taken into account in Albania, too, and even respected. Even though we hold a variety of views, the general mood is that democratic forces should win and the label attached to the former regime should be removed. Thereafter, Albania will not be able to live on foreign aid but must go back to work with the aid of investments that will no doubt arrive in greater quantities. Both Albanian and foreign capital will circulate.

[BUJKU] Will there be talks with the Serbian opposition? Specifically, will there be talks with their independent clubs and their democrats to reach a solution for our cause?

[Rugova] So far, the Serbian opposition, which is very weak, and the various independent clubs recently formed in Serbia have not agreed to embark on a dialogue with us because they think that Kosovo is dangerous ground. If initiatives are launched, there can be talks. Moreover, we have always offered dialogue not only to the Serbs but to everybody who wants equal dialogue. However, we must say firmly and clearly that there can be no talks against the expressed wishes of the people. I repeat this on purpose.

[BUJKU] Serbia continually accuses us of being aggressive in our diplomacy. Is this so?

[Rugova] We must be aggressive in our cause. However, we must be aggressive in what I would call a civilized

way. We are also handicapped in certain ways. Let us take Albania, for example. Three governments succeeded each other in one year. All three made efforts and achieved a great deal for Kosovo. We should achieve a national consensus on this "aggressive" diplomatic tone, and act together as we did at the CSCE meeting in Prague.

[BUJKU] Because of Britain's conservative political stance, is it reasonable to fear Lord Carrington and Serbia?

[Rugova] As for relations with Carrington and other relations of this kind, it is true that Serbia will do its utmost to achieve its ends at our expense. However, I can tell you now that we have succeeded in being on the alert in these matters and in obstructing these aims through our own efforts.

[BUJKU] Is there a danger of social chaos, not to mention disruption, or worse in Albania if the democratic forces lose as they did last year?

[Rugova] Such a danger exists. The political parties and other groups have nevertheless promised that the situation will be quiet during the elections. We must also bear in mind the serious social situation that causes people to behave illogically. Regardless of this, as I said, people's mood is in favor of changing the system. To what extent the opposition will exploit this mood is its own business.

[BUJKU] What is Europe's attitude toward the unemployed Albanian work force?

[Rugova] An unemployed work force is a form of capital. Europe is aware that we have this both in Kosovo and Albania and also knows that Albanians are hard-working, well-behaved, and cheaper. They see this both in Europe and here with those workplaces and private enterprises that Serbia, with its high taxes, allows. They see that people are making an effort and are not sitting idle like people in Calcutta.

The Request for the Recognition of Kosovo Has Not Been Refused

[BUJKU] France has stated that it will help and protect the Hungarians in Slavonia. Could we expect something similar from other states?

[Rugova] We have asked for UN peace troops as a protectionary measure. These troops normally go to places where conflicts are taking place. We have not had a two-sided armed conflict, although conflict, violence, and repression exist. If people come to protect the Hungarians, there is a possibility that they will come to protect us. However, I see the presence of UN troops as not simply because of a conflict in one place. France is sending its troops within the UN framework.

[BUJKU] But why have only the Hungarians been singled out?

[Rugova] All those who are weak are now being protected.

[BUJKU] Are we weak?

[Rugova] There is talk about us, too.

[BUJKU] Is there any sign from abroad that the sovereignty of the Republic of Kosovo will be recognized?

[Rugova] Our request has been officially received in Brussels. It has not been refused at an administrative level. We have not received a negative reply from anybody in the contacts we have had so far on this matter.

[BUJKU] Can one talk about Albanian power in Kosovo?

[Rugova] We no longer have the legal power that we in a way possessed until 5 July 1991. We nevertheless have a kind of power, the power of the political parties. With the creation of the government, the local authorities have also begun to operate to the extent that they are able. This power is evident in the organization and distribution of aid, in the start of the school year, in the avoidance of interpersonal conflicts, and the settlement of blood feuds. This power, if it can be called that, operates from below upward, through the branches of our parties and recently through the local authorities.

[BUJKU] A category of people that once wholeheartedly served the former regime is penetrating these local authorities. This both annoys the people and devalues the work of our political bodies. What do you think of this?

[Rugova] Because we did not have free elections, our intention was to revive the structures of the organs we formerly possessed, especially at a local level. We asked for these bodies, as they were revived, to prevent the kind of infiltration you mentioned. In some places there have been changes, and in others the same people have remained where they were. We have accepted them and so has the government. In a word, we have left it up to people themselves to choose who will be in these bodies. We did not want to exert influence or issue orders. After all, they know the people in their own area better than we do in Pristina. If the workers do not choose the best people, they themselves are responsible. We do not issue instructions.

[BUJKU] Why has a foreign minister still not been chosen for the coalition government?

[Rugova] The prime minister of the coalition government is presently performing the duty of foreign minister. We are not alone in this practice. States where the government exercises its authority in the country have also behaved in this way.

17 March 1992

YUGOSLAVIA

There Is No Deviation From the Three Options

[BUJKU] Does the Political Parties' Coordinating Council really coordinate political work? In practice, are there deviations and irregularities?

[Rugova] We reached an understanding in the council on the key issues and on the status of Kosovo. There is no deviation here. We also reached an understanding on the three defined options, and the nuances of some declarations do not go far beyond the understanding we reached. Meanwhile, as for the view that we have a lot of political parties, both here and in Albania, this is an outbreak of pluralist chickenpox. Those who say that a profusion of parties both in Albania and here is a tragedy show a clear tendency to revert to the single-party system. It must be realized that the political parties are vehicles of public opinion and also carry out national tasks. We are not aware of any political party, not in Albania either, that is against national interests. In thinking about the parties we must distinguish politics from power. An antipathy to political parties leads to disruption. They are a market for the exchange of different views. The best survive. We cannot oppose them. Let them all operate. The competition is open. Accusations and countercharges do nothing.

[BUJKU] During your visit to Turkey, you talked about the position of the Albanians there. Is there any possibility of these Albanians gaining dual nationality?

[Rugova] There are many Albanians in Turkey. Their number is still unknown. Turkey called anybody who went there a Turk. It is a good thing that both politicians and the Turks themselves think of and treat the Albanians as a tie between us that has contributed to Turkey. They will no doubt promote their rights. The Albanians in Turkey are economically very strong. They have reached prominent positions, and their achievements under the Ottoman Empire are increasingly being mentioned. We, too, are shedding the aversion to the Turks we had during the National Renaissance [late 19th century], an aversion that was positive at the time. We must now establish new relations and ties of culture, tradition, and history. Turkey thinks the same.

As for their registration, let Turkey register them as Turks while we register them as Albanians. What is important for us is that we know approximately how many Albanians are there. It is also important to say that the Albanians there are not assimilated as much as is imagined. The second generation speaks excellent Albanian. The Albanian Brotherhood [Vellazeria Shqiptare] and the association of Turks of Rumelia have done a great deal to keep this alive.

[BUJKU] What view is taken of Kosovo's special status?

[Rugova] There is no absolute stand. We have our options, and the world knows what they are. Fortunately, the world knows about all the Albanians in this region. As for the Albanian question as a whole, we must not become depressed....

[BUJKU] Mr. Chairman, despite all that you have said, it seems that you have not told us everything. The people believe you know many things about what is happening in the world concerning us, but you never tell them....

[Rugova] This was a frank talk, and I said what I wanted to say.

[BUJKU] Will the Albanians have more difficult political winters like those of recent years?

[Rugova] Next winter will inevitably be a politically milder one.

Serbian Bank Governor on Monetary Policy

92BA0604A Belgrade BORBA in Serbo-Croatian
25 Feb 92 p 13

[Unattributed article based on TANJUG interview with Borislav Atanackovic, governor of the National Bank of Serbia; place and date of interview not given: "The Dinar Remains in Serbia"]

[Text] Serbia has no intention of changing its present currency and introducing its own, Borislav Atanackovic, governor of the National Bank of Serbia [NBS], declared to TANJUG. All the guesses in that direction, he said, are nothing more than the most ordinary disinformation.

No one has at any time conducted talks about preparations for issuing Serbian currency. After all, Serbia is in Yugoslavia, it remains in it, and it has its own currency, the internationally recognized dinar. In short, added the NBS governor, there is no need to take the route of the secessionist republics.

The republics which have unilaterally seceded have put their own currencies into circulation—the Slovene tolar and the Croatian dinar. The truncated federation, and Serbia in particular, has suffered large losses on that basis, because Slovenia and Croatia did not first return to the National Bank of Yugoslavia [NBY] certain amounts of dinars they owed while they were still part of the joint state. On the contrary, the governor said, they dumped them on our republic and other parts of the country by purchasing foreign exchange, miscellaneous goods, and the like. In the light of that experience, the NBY has prepared appropriate measures if any of the republics should try a similar formula.

Supplemented Regulations

Speaking about the dual and multiple exchange rates, the NBS governor said that such a policy, or rather practice, occurred as a direct consequence of the unrealistic condition of the dinar at one point. That is why, in order to back up the purchase of foreign exchange and foreign currencies to meet the needs of the republic, the NBS has granted authorized banks an addition to the official exchange rate of the FEC [Federal Executive Council] as an incentive (it has been variable, depending on market conditions). The reason for this is that it was no longer possible to purchase convertible currency at the official

rate. Nor to build up the necessary foreign exchange reserves for the same reason. The Republic of Serbia foresaw building them up to the level of three months' payments abroad.

Experience to date has revealed a number of problems in this area. Because of the political, military, and socio-economic conditions in the country, the inflow of money from the convertible area dropped off drastically last year compared to 1990, while obligations abroad and current needs for foreign exchange continue to be considerable. Nor should we neglect other accompanying aspects. For example, a portion of the reserves from the current inflow resulting from export of goods and services is in accounts of authorized banks abroad, Atanackovic recalls. Use of that money, however, is impeded because the banks are not liquid. In the Decree on Mandatory Appropriation of a Portion of Foreign Exchange To Meet the Needs of Reserves, the government of Serbia recently tried to bring certain flows into line with needs. What remains now is to consistently enforce that regulation. Foreign trade regulations have also been supplemented. In short, both foreign exchange and foreign trade policy are adapting to the given conditions.

Uniform Prices of Foreign Currencies

Turning to the fact that every bank must set its own exchange rate, he pointed to the untenability of that practice. The private and mixed banks have made abundant use of this, causing thereby not only numerous consequences, but even chaos in this area. Disloyal competition has sprung up among banks, and the greatest advantage has been taken of this on the black market for foreign exchange, making it possible for speculators to become rich without hindrance although the business they engage in is prohibited. That is why the

president of the Republic of Serbia did not sign the law proposed on foreign exchange transactions, under which every bank would be able to form its own exchange rates. What is more, the law did not even take effect. Inspectorates of the NBS and NBJ are right now ascertaining what actions or prohibited acts have been committed by whom in this area of operation.

The government of Serbia, Borislav Atanackovic mentions, has concluded that the official exchange rate, which would be valid for all banks, should be formed exclusively on the Yugoslav foreign exchange market. And then to bring about the same operating conditions in them and to control the exchange rate. An effort should, of course, be made so that the exchange rate is as realistic as possible. Ultimately, the governor of the NBS believes, everyone has to understand, both the economy and individuals, that this in the interest of both the state and the individual. Otherwise, the operation of the state of Serbia and its foreign exchange reserves, imports of crude petroleum and finished petroleum products, raw materials for pharmaceuticals, and everything necessary for everyday life and work would be jeopardized.

[Box, p 13]

Interest Without a Surety

In recent months, private banks have been concentrating on foreign exchange savings and offering monthly interest rates of 10 to 15 percent, which is not possible in world practice, not even in theory. The state is not guaranteeing these deposits, because these are transactions without any final and long-term calculation, and the risk should not be excluded. Both the federation and Serbia are seeking permanent and increasingly acceptable solutions for the old foreign exchange savings as well as the new, which, when one examines the present circumstances, are not easy to find.

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